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D 8523 B

Moscow cracks down on corruption, Page 3

Table with exchange rates for various countries like Australia, Canada, Europe, etc.

World news

Business summary

Six killed in Soviet aircraft hijack

Two armed men killed two Soviet policemen, seized a grounded Tupolev-134 aircraft and shot dead two passengers before they were themselves killed, the official Tass news agency said.

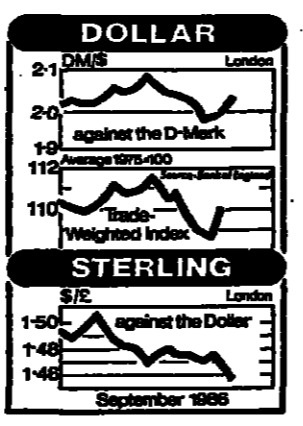
Hutchison may lift stake in Pearson

HUTCHISON Whampoa, Hong Kong trading company which revealed a 4.99 per cent stake in Pearson, UK industrial, banking and publishing group, said it wanted to discuss "ways to increase this investment substantially which would link to the creation of commercial links between the two groups."

Stoltenberg tries to defuse currency row as \$ rises sharply

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON AND RODERICK DRAM IN NEW YORK

THE dollar rebounded yesterday as foreign exchange markets reacted nervously to the weekend decision by European Community governments to seek agreement with Washington to stabilise the US currency.



Whirlpool and Philips start talks on joint venture

By Terry Dodsworth in London

PHILIPS, the Dutch consumer electronics group, is entering talks with Whirlpool of the US on a proposed joint venture which would mark a further step in the rapid consolidation of the world domestic appliance industry.

Reagan strikes optimistic note on arms deal

BY STEWART FLEMING, US EDITOR, IN WASHINGTON



Mr Reagan

PRESIDENT Ronald Reagan yesterday struck an optimistic note about the prospects for an arms control agreement with the Soviet Union, saying in his address to the General Assembly of the United Nations that "the ice of the negotiating stalemate could break if both sides intensify their efforts in the new round of Geneva talks."

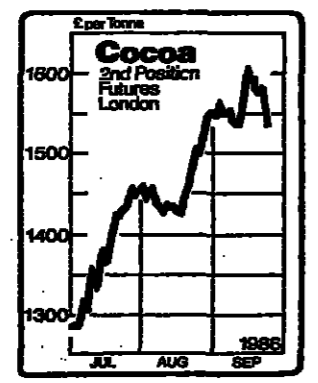
strategic defence, and outlined Washington's conditions for such an agreement.

Arms deal finalised

The Stockholm Security and Disarmament Conference ended after three years with the adoption of measures aimed at reducing the risks of war by accident. Page 20

East-West talks

Representatives from 35 nations began work in Vienna to prepare a East-West talks aimed at increasing security and reducing tension in Europe. Page 2



USX plans restructure as bid talk intensifies

BY ANATOLE KALETSKY IN NEW YORK

USX CORPORATION, the recently renamed holding company for US Steel, has responded to the intensifying rumours of a takeover by any one of half a dozen powerful corporate raiders by engaging investment bankers to explore a "wide range of restructuring alternatives" for its gigantic steelmaking, natural resources and financial operations.

Shevardnadze, Peres in talks on Mid-East

BY OUR UNITED NATIONS CORRESPONDENT

MR SHIMON PERES, the Israeli Prime Minister, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, spent more than an hour yesterday discussing the Middle East conflict and possibilities for restoring diplomatic relations.

Iran victory promise

Iranian leaders promised victory as the nation staged a big military parade to mark the sixth anniversary of the start of the Gulf War with Iraq. Page 4

Norway bans F-111

Norway's Labour government has barred the US from sending F-111 bomber jets to take part in Nato exercises over Norwegian territory.

N-Industry attacked

A European Community executive committee accused the European nuclear energy industry of shunning off public fears of an atomic accident similar at Chernobyl.

Memorial disrupted

Hundreds of militant black miners disrupted a memorial service organised by the mine's white owners for the victims of South Africa's worst gold mine accident, which killed 177 miners. Page 4

Memorial disrupted

Hundreds of militant black miners disrupted a memorial service organised by the mine's white owners for the victims of South Africa's worst gold mine accident, which killed 177 miners. Page 4

Siebe in bid for Robertshaw

BY CHARLES BATCHELOR IN LONDON

SIEBE, a fast-growing British safety products and engineering company, has made an agreed bid worth \$450m for Robertshaw Controls Company, a US manufacturer of automatic control equipment and systems.

Oppenheimer advertisement featuring a large vertical logo and a table of fund performance data.

Table listing contents for various sections like Europe, America, Overseas, World Trade, Britain, etc.

EUROPEAN NEWS

Unifil troops to be redeployed to more defensible positions

BY ANDREW WHITLEY IN NAQURA, SOUTHERN LEBANON

UNITED NATIONS peace-keeping forces in southern Lebanon are to be redeployed to safer, more defensible positions, as the wave of attacks on their soldiers continues. "We are afraid the fighting may intensify," said a senior official at Naqura, the headquarters of the United Nations Truce Supervision Force in Lebanon (Unifil). He warned that, if the violence persisted at its present level, or worsened, the 5,800-strong force may have to pull out of the region entirely. Shooting incidents are reported daily, often resulting in casualties among the blue-helmeted peace-keepers. Last Friday, as they were commencing their pull out from Unifil's sensitive northern sector, set of Tyre, another five soldiers from the French contingent were wounded. The French redeployment, expected to continue over the coming days, is likely to be the start of the most far-reaching changes the nine-country force has seen since its arrival in Lebanon in early 1978. Faced with a worsening environment, General Gustav Haggland, the Unifil com-

Vienna gets ready for next round of talks

By Patrick Blain in Vienna

REPRESENTATIVES from 35 nations begin work today in Vienna to prepare a new round of East-West talks designed to increase security and reduce tensions in Europe. With the ink barely dry on the final document adopted by the Stockholm Conference on Confidence and Security-Building Measures and Disarmament in Europe (CSDE), fresh delegates have been arriving in the Austrian capital for a third and new set of talks to be held within the framework of the Conference on Security and Co-operation in Europe (CSCE). The full Vienna conference—known as the Vienna follow-up meeting—will officially open on November 4. Today's meeting which is set to end within two weeks, will prepare the ground and set the agenda and timetable for the conference. Officials in Vienna expect the meeting to go smoothly since it will deal only with organisational questions. The conference itself will be broken up into two parts. The first part will review progress under agreement drawn up at the Helsinki conference on security and co-operation in Europe—the so-called Helsinki Final Act signed in August 1975—at its first follow-up conference which ended in Madrid in 1983 and at the recent Stockholm conference.

Jailed Polish activist 'on total hunger-strike'

A POLISH peace activist jailed for refusing military service has gone on a total hunger strike to demand that he be covered by a government amnesty for political prisoners, members of an unofficial Polish peace group said yesterday. AP reports from Warsaw. Two members of the unofficial Freedom and Peace Movement, Mr Wojciech Jankowski and Mr Jaroslaw Nakieliski, remain imprisoned for refusing the obligatory military duty although the Government says that all the country's political prisoners have been freed under the amnesty, said Mr Jacek Czaputowicz, a founder of the peace group. Mr Jankowski, a 22-year-old Gdansk school teacher, had been on a "dry fast" refusing food and water since last Tuesday, a day after the amnesty expired, Mr Czaputowicz told reporters at a news conference. Mr Jankowski had lost 4.5 kg (10 lb), and prison guards were to start

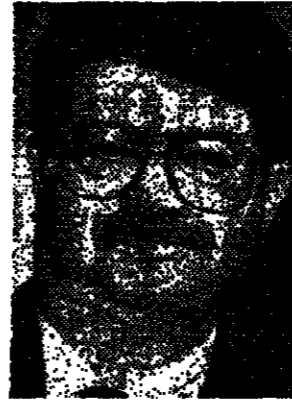
force-feeding him on Monday, said Mr Czaputowicz, citing information received from Mr Jankowski's fiancée who visited him on Sunday. In a letter to the Navy court which sentenced him to 3½ years in prison last December, Mr Jankowski demanded to be freed and protested against attempts by the military intelligence service to "blackmail" him into co-operating with it. Mr Nakieliski, 23, a Warsaw student, remained imprisoned although he turned himself in to the military prosecutor last week to take advantage of the amnesty, Mr Czaputowicz said. Mr Nakieliski had been in hiding since escaping from a psychiatric hospital in April where he had been sent after refusing military duty. Mr Czaputowicz said that the amnesty would be only a "one-time gesture" by the authorities unless "the problem of military service and the oath are regulated for good."

IAEA meets on N-plant safety

THE BOARD of Governors of the International Atomic Energy Agency (IAEA) began a two-day closed meeting yesterday in preparation for a special ministerial conference starting tomorrow which will examine proposals to improve nuclear safety, Patrick Blain writes from Vienna. The three-day special conference was called earlier this summer in the wake of the accident at the Chernobyl nuclear power plant in the Soviet Union last April which caused 31 deaths. The conference will be attended by several ministers and senior government representatives from the agency's 112 member states including Mr Boris Shcherbina, the Soviet Deputy Prime Minister who led a government inquiry into the accident.

By-elections may be uphill fight for Ozal

BY DAVID BARCHARD, RECENTLY IN KILIS, SOUTHERN TURKEY.



Mr Ozal: double threat

ELECTIONS in Turkey have something of the heady atmosphere of a carnival. When "Honeycomb," the election bus of the Motherland Party, trundled into the main square of this small provincial town, just north of Turkey's border with Syria, even the trees and rooftops were full of cheering spectators. Children wore party political caps. Two light aircraft flew incessantly backwards and forwards bombarding the cheering crowd with leaflets urging them to support the Motherland Party's candidate, former under-secretary to the prime minister, Mr Hasan Celal Güzel, in Sunday's by-election. Was it a triumph or was it show business? Until next Monday, nobody in Kilis and the other districts of Turkey will be sure. Certainly the show of strength by the Motherland Party of Prime Minister Turgut Ozal has not been without effort. Kilis has a mayor from the rival centrist True Path Party (TIP) against whom Mr Ozal and the MP are fighting for political survival.

Mr Güzel told journalists that at the start of his campaign a month ago, the MP had had the support of only a fifth of the voters in Kilis. Today he reckons to be ahead. Though Sunday's elections are only to fill vacancies in 11 out of 490 electoral districts, the political futures of almost all Turkey's major politicians could hang on their outcome. Ordinary Turks seem pleased simply that they have the chance to express their views freely at the ballot box once more. In the 1983 general election, this kind of meeting, regarded as crucial in a Turkish election, was simply not possible with martial law and press censorship still in force. With all the advantages of government, there seems little doubt that the Motherland Party is still the largest single political grouping in the country. It stresses modernisation, tolerance, and compromise. Citizens in this district and others jobs rustily that if the election were held a month later, their town would be like Paris, so great is the alleged channelling of government

tenants such as Professor Ekrem Pakdemirli, former Undersecretary of the Treasury and Foreign Trade, face possible photofinish results. It is Mr Ozal's second set of opponents who pose the greatest threat to him, both splitting the anti-Social Democrat vote and posing a direct challenge to his leadership and that of the Motherland Party. Mr Süleyman Demirel, the veteran former premier and right-wing leader whom the military threw out in 1980, has re-emerged as a charismatic leader whom peasants line the road to see in even greater numbers than they do for Mr Ozal. His supporters say he stands for "social justice, the end of military rule, true democracy, economic expansion—and the rights of farmers."

By contrast, Mr Bulent Ecevit, the other ex-premier who has founded his own party, is making less of a showing. Social Democrats in Kilis say that although they supported him formerly, they will not forgive him for splitting the centre-left vote. Two doctors attend the 85-kg Prime Minister, watching to see if his health flags under the strain of a day which begins at seven and often ends well after midnight. With the crowds roaring ecstatically at every word the prime minister spoke from his election bus, Mr Ozal beamed and told them he was sure of victory. Most of the Turkish journalists accompanying him were less sure. Mostly linked to the pre-1980 centre-right or Social Democrat Party traditions, they were hoping a day which began with an empty ritual accorded to any political visitor—and that next Sunday's elections would mark the beginning of disintegration of the PM's hold on power.

Italian investors reassured over tax on equities

BY JOHN WYLES IN ROME

ITALIAN investors yesterday appeared largely reassured that the Government was not about to follow up its decision to tax interest income of government securities with a capital gains tax on equities. After a nervous start, the Milan stock exchange index closed marginally higher at 0.5 per cent but suffered a small setback in after-hours trading to finish 0.3 per cent down. Clearly anxious about the blow to investors' psychology dealt by Friday's surprise announcement of a tax on income from all new government issues, Mr Bettino Craxi, the Prime Minister, went out of his way to reassure equity investors late on Sunday evening. "There are no measures envisaged for the stock market," he said in a speech. Mr Bruno Visentini, the Finance Minister, is adamant that the state does not have the capability to tax the stock market. This point was emphasised at the weekend by Mr Carlo de Benedetti, the chairman of Olivetti. Since the Government did not have the means to supervise the



Mr Visentini: adamant

buying and selling of shares, any tax would yield virtually nothing while having "an enormous negative effect," said Mr de Benedetti. The most significant visible impact of the new tax yesterday was extremely strong demand in the secondary market for "old" government securities which remain free of tax. The next test of investor reaction will come tomorrow when the Treasury will sell L18,500bn (£2.1bn) of taxable short-term bills.

Production of steel falls sharply

STEEL OUTPUT fell sharply in August in the US, Japan and the European Community, extending a pattern seen in earlier months, figures published yesterday showed, Reuter reports from Brussels. Industry sources said the falls reflect sluggish economic growth, the fact that other products are replacing steel in some fields, and expanding steel output in emerging nations such as South Korea. The figures from the International Iron and Steel Institute show that US production fell 21.9 per cent compared with August 1985, while output in Japan and the Community was down 8.9 and 8.4 per cent, respectively. The institute said total production in the 36 non-Communist countries which reported fell 7.5 per cent in August to 31.32m tonnes. In July, production in these countries was down 6.9 per cent, with US, Community and Japanese output falling 9.9, 10.5 and 10 per cent respectively.



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European governments urged to boost jobs

By John Wyles in Rome

EUROPEAN GOVERNMENTS are urged by an international group of economists today to organise a simultaneous relaxation of fiscal policies and coordinated monetary expansion as part of a strategy for cutting unemployment to an average of 5 per cent.

Governments must aim for a sustainable 5 per cent per year growth rate which the economists say is an essential condition for providing the capital investment needed to create the new jobs.

Their recommendations are contained in the annual report to the EEC by the Macroeconomic Policy Group set up by the European Council for European Policy Studies. Prepared under the chairmanship of Prof Richard Layard of the London School of Economics, the report has been approved by the group last year, for supply-side measures to reduce labour market rigidities, accompanied by an expansion of demand.

If present policies remain unchanged unemployment in the EEC will still be as high as 10.4 per cent in 1990, says the report.

Structural changes on the supply side, are required if employment growth is to be sustained, but a boost is needed to accelerate the progress. This boost must come from timely supply measures sustained and validated by demand.

The big increase in capacity, will be needed to reduce unemployment, because European industry is now working only slightly below previous peak levels of capacity utilisation. No single country with the possible exception of West Germany, can go it alone in encouraging the necessary capital investment because it would soon face a current account deficit and renewed inflationary pressures, the report warns.

Temporary and simultaneous fiscal relaxation by EEC governments accompanied by particular incentives such as marginal employment subsidies, would help create the conditions for a faster rate of investment in capital equipment (the "job creating" investment). This would be financed partly from reduced capital outflows because of a lower trade surplus and partly by higher savings as consumption lagged behind the growth of income.

The report concludes that the allocation of savings for investment would be more efficient if governments regulated financial markets rather less.

Report of the CEPS Macro Economic Policy Group: Reducing Unemployment in Europe: the role of capital formation. R. Layard, F. Modigliani, M. Monti, J. Drees, E. Giersch, Economic Papers Number 47, Commission of the European Community.

Italy, Greece in security accord

By Andreas Ierodiconou in Athens

GREECE AND Italy are to step up co-operation against terrorism, drug trafficking and other organised crime under a security agreement to be signed in Athens today by Mr Antonis Drososyannis, the Greek Minister of Public Order, and Mr Oscar Sinagra, the Italian Interior Minister.

Greek and Italian officials say the agreement is primarily intended to promote the gathering and exchange of information by the two countries' security authorities. The agreement follows the recent spate of bombings in France which terrorist groups threatened last week to extend to Italy.

A Greek Government spokesman specified, however, that the agreement had been in the pipeline for some time. Greece has sought to improve security co-operation with its western allies since the hijacking of a TWA jet in June 1985 led to advice from Washington for Americans to avoid Athens airports. The US is understood to favour the drawing of a tighter southern European security belt through countries such as France, Italy and Greece, as an important step in the fight against terrorism.

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Patrick Cockburn reports on Soviet efforts to break the networks of bribery flourishing in the country High life and harsh death of Moscow's king of corruption



An instant black market forms inside the Gum department store in Moscow, as a customer tries to resell the jeans he has just bought. Shortages such as this provide fertile conditions in which corruption can flourish

THE nine-month trial of senior officials in charge of Moscow's retail trade, which has just ended with heavy sentences, has for the first time shown how a network of corruption has spread over 20 years.

The key figure in the scandal was Mr Yuri Konstantinovich Sokolov, head of Gastronom Number One, the capital's best known food shop, who was executed for corruption in 1984. His trial provoked a wider investigation of theft and bribery in Moscow's retail trade which has now ended with a 15-year jail sentence for Mr Nikolai Tregubov, head of the city's trade directorate for over 20 years.

The daily Moskovskaya Pravda has provided fascinating detail of how Mr Sokolov, a taxi driver with a minor criminal record at the end of the 1960s, came to run Gastronom Number One in Gorky Street. Built as the Moscow equivalent of Fortnum and Mason at the beginning of the century, its large hall is still dominated by ornate chandeliers, engraved pillars and stained glass.

Publication of the facts revealed at the trial of Mr Tregubov and Mr A. Petrikov, his deputy at the trade directorate, show how corruption among trade officials in Moscow had reached saturation point by the early 1980s. The wide publicity given to their fate is clearly intended as a warning to others and is part of the campaign against corruption which started in 1982.

Portugal reduces debt burden

By Peter Wise in Lisbon

PORTUGAL IS restraining growth of its \$16bn (£10,850m) foreign debt and plans to make early repayment in November of the \$190m outstanding on a \$300m 1980 Republic loan, the governor of Portugal's central bank said yesterday. The repayment follows a similar early settlement of a 1979 loan in July.

Mr Jose Tavares Moreira said in an interview with a Lisbon newspaper that Portugal had reduced foreign debt servicing by \$1.7bn over both the short and the medium-term by paying back more than it was contracting in new loans. He said the foreign debt now stood at the same level as in December—just less than \$16bn.

He said devaluation of the US dollar was the chief reason for the halt in debt growth because 53 per cent of the foreign debt is in dollars. Lower oil prices have also meant tremendous savings for Portugal, which imports close to 90 per cent of its energy needs. Oil imports during the first six months of 1986 are estimated to have cost \$350m less than in the same period last year.

In this climate, the governor said Portugal could maintain a balance of payments surplus for the next few years. An IMF-backed austerity drive, since reinforced by the fall in oil prices, has helped turn the balance of payments from a 1982 deficit of \$3.2bn to an expected \$700m surplus this year.

Mr Tavares Moreira said one of Portugal's worst economic headaches was the domestic debt. But he added that the financing of the debt through Treasury Bills was having a positive effect, for the first time the deficit would not have to be financed through creating money.

He said that had or dubious debts to the nationalised banking system totalled about \$2e 400m (\$2.7bn), 15 per cent of the country's output, but that it was difficult to assess how much was recoverable.

Norway bars credit card fee

By Fay Gjester in Oslo

NORWAY'S GOVERNMENT is to bar international credit card companies from charging a fee to shops, hotels and restaurants which accept payment by the companies' cards. From December 31 all costs relating to such transactions must be borne by the card users.

The Government's decision, announced at the weekend, affects the companies' American Express, Diners Club, Eurocard and Visa. Norwegian credit card companies have never been allowed to charge businesses which honour their cards.

The announcement confirms a Finance Ministry ruling made several months ago, and originally due to take effect from July 1. The authorities agreed to delay enforcing it while the card companies argued their case—to no avail, as it turned out.

In the intervening weeks the four funded a massive advertising campaign aimed at influencing public opinion in their favour. American Express led the way, spending a reported Nkr 1.5m (£140,000) on a series of full page advertisements in leading Norwegian newspapers.

At that time, Mr Sokolov and his friends were confident that they could protect themselves from any investigation. The newspaper describes how Mr Sokolov gave a party to celebrate his daughter's wedding for over 100 guests in the Praga Restaurant in Central Moscow. The guest list was carefully given to their fate is clearly intended as a warning to others and is part of the campaign against corruption which started in 1982.

hurling crystal glasses at the walls, a traditional Russian way of showing the party is going well. A waiter remonstrated with Mr Sokolov, standing in the middle of the room: "Yuri Konstantinovich," he asked, "what is going on?" "Just get out of here," said Mr Sokolov to the waiter without looking at him. He sipped some champagne from his crystal glass and hurled it against the wall. Mr Sokolov had come a long way from the taxi driver's job he held in the late 1960s and which he had to give up when charged with cheating passengers. He then became an inspector in the organisation in charge of supplying haberdashery in the capital. A few months later he joined the General Trade Organisation where he met Mr A. Petrikov, his partner for the next 20 years, who was sentenced to 12 years in jail last week.

so on, down the scale. These bribes were ultimately funded by the customers. In 1982, just before the Gastronom Number One scandal was exposed, the Department for Struggle against Embezzlement of Socialist Property and Speculation (SBRHSS), carried out test purchases in shops across Moscow. In a single day inspectors found that in 156 out of 193 purchases they were cheated. Profits were passed up the line to Mr Sokolov and beyond.

Back handlers from customers at Gastronom Number One were supplemented by another simple swindle. The plan for Soviet stores makes allowance for losses during storage and before sale. At Gastronom, fish, meat and sausage was written off under this heading—not difficult since the trade organisation was already in Mr Sokolov's pocket—even though real losses were small.

The profit made by Mr Sokolov, the other managers at the store and their allies in the trade directorate were vast, far more than they could spend. Mr Sokolov himself buried money, gold coins and jewellery near his dacha (country cottage) on the Moskva River.

After his arrest police dug up bundles of rotting roubles from his garden. Another official did not spend the heaps of 100 rouble bills in his house because he was afraid of attracting attention to himself.

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OVERSEAS NEWS

Arab concern grows as Iran-Iraq war enters seventh year

BY TONY WALKER IN CAIRO

THE GULF WAR entered its 7th year today, amid increasing concern in moderate Arab capitals at the almost inexorable Iranian military and political pressures threatening the Iraqi regime.

In Jordan, in Egypt and in Gulf states, there is growing alarm at developments in the war, which appears to have turned against Iraq. Nagging questions are also being raised about the stability of the Iraqi Administration.

ing very badly," said an official in an Arab capital friendly to Baghdad. "The war is a tremendous drain on Iraq."

Worry about developments in the Gulf war intensified in February when Iran occupied parts of the Faw Peninsula at the southern tip of Iraq. For the first time in the war, Iranian troops moved onto Iraqi territory in strength and managed to hold their ground despite intense efforts to dislodge them.

by more than five years of conflict on their doorstep. This year's escalation of the tanker war has added to the discomfort of the oil-rich states.

The Saudis may well have offered to fund increased exports of Egyptian military equipment to Iraq. Egypt may also be under pressure to provide more technical assistance to the Iraqis.

AS THE Japanese Government this week prepares to implement its package of measures to boost domestic demand, one sector of the economy has been revealed as needing no such stimuli.

Tokyo may crack down on the prosperous squirrels

By Gordon Cramb in Tokyo

AS THE Japanese Government this week prepares to implement its package of measures to boost domestic demand, one sector of the economy has been revealed as needing no such stimuli.

To the chagrin of the authorities, though, the growth area is tax evasion. The specific culprits are well-off self-employed Japanese who have been shovelling large amounts into tax-free deposit accounts designed to benefit the small saver.

By personation and other ploys, in the year to June they pushed up the amount held illegally in untaxed interest-bearing deposits by 47 per cent to reach an estimated ¥12,000bn (£7.8bn).

The extent which abuses have reached is now prompting official proposals to shut down the tax-exempt savings system in its entirety.

The government's tax council is set next month to recommend bringing nearly all individual deposits into the taxation net, in a move likely to sweep aside decades of stasis in Japan's private savings industry.

Shake-up Post office accounts, although excluded from the authorities' figures, are also expected to be included in a shake-up.

Individual savers are allowed to have up to ¥14m each on deposit without becoming liable for tax on the relatively low interest these accounts accrue.

They assemble a portfolio of deposits spread among banks, securities houses, the post office, and company save-as-you-earn schemes, most with a ¥3m ceiling.

But self-employed merchants, doctors and the like have apparently become adroit at conducting pseudonyms and borrowing names of family and friends in order to squirrel away sums far beyond the allocated limit.

New findings by the National Tax Administration Agency show that the recent level of illegal deposits across the country was made up of an average ¥290m at each of the nearly 42,000 institutions which participate in the system. This excludes the 23,000 post offices which alone draw 20 per cent of all personal savings.

One Hiroshima medical practitioner was found to have ¥214.5m placed with numerous financial houses across four prefectures. Transgressions like his, Japanese are being told, may now bring an end to the savings system known as maruyū (literally, "priority circle," from the stamp on each account document denoting its tax-exempt status).

Lending rates Maruyū deposits have underpinned a personal savings sector where interest rates are otherwise unattractively low. The structure has been designed to protect smaller financial institutions as well as support industry by holding down lending rates.

It has so far proved largely impervious to the deregulation moves taking place elsewhere in Japan's financial markets.

The authorities acknowledge that the maruyū system withholds a huge amount from the free money markets. The Ministry of Posts and Telecommunications, which says it wants to see tax exemptions retained within a less regulated structure, says the isolation from market influences of its own deposits of some ¥100,000bn "is not healthy for the economics and financial system of a country."

Personal savings are crucially important in Japan because of the rapidity with which the society is ageing, it argues. Opposition is also likely to come from within the ruling Liberal-Democratic Party.

The council is due to make its recommendations to Mr Yasuhiro Nakasone, the Prime Minister, at the end of next month. By then, the Hiroshima doctor and others may have recovered from demands for penalty taxes totalling ¥42.1bn.

Sri Lankan leader faces new threat

By Mervyn de Silva in Colombo

THE BUDDHIST clergy and President Junius Jayewardene's Government are on a collision course following a unanimous decision by leading representatives of Sri Lanka's three Buddhist sects to write to Mr Jayewardene this week demanding that his offer of provincial autonomy to the separatist Tamils be withdrawn.

Nearly 70 per cent of Sri Lanka's 16m population is Buddhist and the three sects manage the affairs of 17,000 temples.

If Mr Jayewardene does not agree, a newly-formed body called Movement for the Protection of the Motherland (MPM), will launch an island-wide protest campaign. What form the campaign will take has not been disclosed yet.

The movement includes both the clergy and 32 lay Buddhist bodies although political parties have been kept out of the MPM. One of its two patrons is former Prime Minister Mrs Sirimavo Bandaranaike.

"I have accepted the post as a patriot and a Buddhist and not as president of the Sri Lanka Freedom Party (SLFP)," she said.

Reuter adds: Security forces started rebel hideouts in the jungles of eastern Sri Lanka and killed 16 rebels, the government said yesterday.

Steven Butler in Manila reports on the increasing assertiveness of the Philippines, Defence Minister Sense of drift raises doubt about Aquino's future

THE TRIP to the US by Mrs Corason Aquino, the Philippine President in Manila, was as a "working visit" with the accent on working. But the visit will also give Mrs Aquino a bit of a holiday, a chance to bask in American admiration for her democratic revolution.

When she returns home next week, the holiday will be over. Her personal popularity among the Philippine people has not faded, but it has started to become irrelevant. This is because Mrs Aquino has not set about building political institutions that are loyal to her. By default, this task is falling on others with political ambitions of their own.

Much of the spotlight is now shining on Mr Juan Ponce Enrile, the Defence Minister, who has grown increasingly assertive in public with statements that can only be interpreted as thinly veiled warnings of a military coup.

"I'm running out of patience," he said recently, speaking about critics of the military in the government. "Maybe these people are not aware that when I lose my patience, I am like Rambo."

It was Mr Enrile who, together with armed forces chief Gen. Fidel Ramos, delivered the Presidency to Mrs Aquino by launching a military revolt against Mr Ferdinand Marcos, the deposed President.

Mr Enrile was rewarded with the defence portfolio, a position he had held for 16 years under Mr Marcos.

But his connection with the former martial law regime has left him as the odd man out in a cabinet that is filled with Marcos opponents, including former (some say current) communists who spent many years in military jails. He is the lone voice in the cabinet expressing alarm about the 22,000-strong communist insurgency led by the New People's Army (NPA).

Diplomatic and other observers discount the possibility of a military coup in the near future, despite constant rumours to the contrary. Mrs Aquino has not yet lost control and her popularity provides a buffer of protection.

But with a referendum on a new constitution to be followed by national and local elections in the coming months, time is quickly running out for her. Mrs Aquino does not have her own political party and assuming that elections are held successfully, she could find herself a minority President with little control over the Congress.

Even passage of the constitution in a national plebiscite is far from assured. Marcos loyalists, who still form an important voting block, are certain to oppose it.

Filipinos say that if the constitution only barely passes it will still be seen as a political defeat for Mrs Aquino that may erode her ability to rule. Mrs Aquino may also face a backlash from what is widely seen as one of her biggest political blunders — the summary dismissal by decree of all local elected officials. Many of these

officials were part of the Marcos political machine, but they arrived to find the coffers bare. The inability to spend money will hurt their chances of competing in upcoming elections.

The appointments have also sparked clashes within the Government, with the supporters of Mr Salvador Laurel, the



Juan Ponce Enrile . . . "when I lose my patience, I am like Rambo"

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Cosatu has asked to meet the Chamber of Mines to discuss the work safety issue and seek guarantees that miners taking part in the day of mourning would not be victimised.

But a Chamber spokesman said that the Chamber would conduct its negotiations with the NUM, its usual partner in wage and other negotiations.

In the wake of last week's accidents, the mining houses are urgently reviewing their safety procedures. Yesterday Rand Mines, one of the smaller mining houses, announced it was stripping polyurethane foam from its mines.

Toxic fumes from burning polyurethane cladding and coated cables are believed to have been the main cause of death and injury in last week's fire.

Last night, President P. W. Botha intervened in the controversy over mine safety by sending a telegram to the International Confederation of Free Trade Unions (ICFTU) in Brussels.

The telegram said responsible representatives of all foreign mining industries were welcome to visit South Africa's mines and judge safety standards for themselves.

Replying to an earlier telegram from the ICFTU, Mr Botha told Mr John Vanderweken, the union's secretary-general: "I sincerely hope I am wrong in my impression that your message regarding the national tragedy is an attempt to lay the blame at the doors of your choice."

REBELS FIGHTING in southern Sudan have killed more than 70 Government soldiers in the besieged town of Kapoeta and burned down most of the town, they said yesterday, AP reports.

The Sudan People's Liberation Army, in a radio broadcast monitored in Nairobi, also said it had destroyed 14 buildings and killed three people in shelling attacks on the town of Torit.

The broadcast said both towns, in Equatorial Province east of the main southern town of Juba, had been under constant attack by the rebels since September 11.

The radio also said rebel forces "intercepted and successfully blocked" Government reinforcements.

Government troops are confined to garrisons in about 12 besieged towns in the south.

International relief agencies say 2m-3m Southern Sudanese face starvation because of war-induced famine.

Sudan has turned down an offer by the Libyan leader, Col. Muammar Gaddafi to unite the two countries, Sudan's Prime Minister, Mr Sadiq Al-Mahdi, told the newspaper Al-Seyassah.

Miners halt South African service

BY ANTHONY ROBINSON IN JOHANNESBURG

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Sudanese rebels claim 70 government soldiers killed

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AMERICAN NEWS

Congress waters down bills to cut budget deficit

BY NANCY DUNNE IN WASHINGTON

THE US House of Representatives, facing an October 3 adjournment, is focusing its attention this week on money bills, including tax reform and a controversial budget package including schemes to cut the deficit by \$15bn (£10.3bn).

More than two dozen appropriations bills, mostly minor, were to come to the floor yesterday and today, clearing the way for a vote tomorrow on a budget. The House bill is similar to one passed last week in the Senate, which seeks to cut the deficit to below the \$154bn limit necessary to prevent across-the-board cuts under the Gramm-Rudman-Hollings Budget Deficit Act of earlier this year.

But both Houses, unwilling to make unpopular cuts in social programmes before the November elections or to raise taxes, are little to cut the budget in the long-term and fall to meet the \$144bn deficit goal set for fiscal 1987.

Senator William Armstrong, a Colorado Republican, described the bill as "a package of golden gimmicks, a package of smoke and mirrors."

The Senate bill calls for the sale of Government assets, imposes user fees on Government services and changes accounting methods. It would raise \$5.4bn from the sale of loans held by, among others, the Agriculture Department, the US Export

Spanish king calls for talks on Gibraltar

KING JUAN CARLOS of Spain expressed hope yesterday for a negotiated solution of what he termed the unjust situation over Britain's colony of Gibraltar, which is claimed by Spain. Reuter reports from the United Nations.

In an address to the UN General Assembly, the first of several world leaders including President Ronald Reagan to appear at the new session, he spoke of "residual colonial situations" and of Gibraltar as an anachronism.

"Spain maintains, vigorously and with the weight of the reason inherent in its cause, the right to find a rapid solution to the problem of Gibraltar, so that the Rock can be reintegrated into the Spanish national territory."

A new chapter has opened since the Brussels declaration of November 27 1984 and since the governments of the United Kingdom and of Spain decided in February 1985 in Geneva, to resolve the problem in all its aspects, including that of sovereignty, through negotiation.

"This new phase is dominated by the result of putting an end to an unjust situation without harm for the interests of the local population."

AP adds: Mr Javier Perez de Cuellar, the UN Secretary General, faced with the worst financial crisis in the UN's 41-year history, says he is not certain he will seek a second five-year term this autumn.

In an interview in the New York Times, he said: "I don't see any reason why I should preside over the collapse of the organisation."

"The UN would run out of money by the end of the year if the US decides to cut its assessed contribution of \$210m, or a quarter of the UN budget."

Mr Perez de Cuellar wants guarantees from Washington that it will pay dues this year, despite Congressional cuts that could go as high as \$140m, or 70 per cent of what the US is required to pay. The UN chief also wants other countries that owe money, including the Soviet Union, to make an effort to pay.

"If I don't have assurance of support for my next mandate, I don't know why I should stay... Even if it sounds marginal, finances have very great importance."

Bernard Simon on why Ottawa's budget deficit problems won't go away

Regional problems retard Canada's economy

WHEN THE Canadian Finance Minister, Mr Michael Wilson, was introduced as the guest speaker at a banquet in Toronto last week, he was reminded that the day after his appearance was announced, the Toronto Stock Exchange took its steepest dive in half a century.

The jocular remark sent a twitter of laughter through the room. But it is also a sober reminder that the Canadian economy has recently performed in a most unhelpful way for a Government devoting a large part of its energies to improving a sagging political image.

As part of its efforts to raise opinion poll ratings, the Progressive Conservative Government is expected to use the opening of a new session of Parliament on October 1 to map out its political strategy for the two or three years which remain before the next general election must be called.

The state of the economy shows, however, that the Tories' room for manoeuvre is much more limited than it appeared to be a year ago.

The main purpose of Mr Wilson's appearance was to disclose that the slowing economic growth and increased official support for hard-pressed western Canadian energy and grain producers have led to an unavoidable rise in the federal

Government's 1986-87 budget deficit from the original target of C\$29.5bn to C\$32bn (£14.5bn-£16bn).

Canada's budget deficit at around 7 per cent of GDP, is already among the highest of any industrial country. Federal public debt has almost doubled in the past three years.

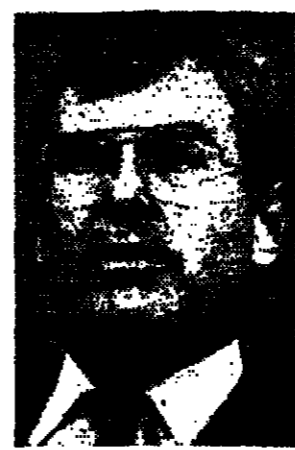
Ottawa's success in bringing down the budget shortfall has thus become an important measure of Canada's economic prospects.

Mr Wilson did his best to offset the slippage in his deficit forecast by painting a bright picture of the state of the economy. He pointed out that, in spite of overshooting the original target, the deficit will fall in fiscal 1986-87 for the second year in a row. Government spending remains on target.

Since the Tories came to office in a landslide election win in September 1984, Canada has enjoyed one of the strongest growth rates among OECD countries. Its GDP grew by 5.6 per cent in real terms in 1984, and by 4 per cent last year.

Unemployment has dropped from 11.7 per cent to 9.7 per cent. Inflation has remained constant at around 4 per cent. Banks' prime lending rates have fallen from 12 per cent to 9.7 per cent.

There is a less rosy side to those figures, however. The recovery has been unevenly spread



Michael Wilson: bright picture

among Canada's diverse regions, and the picture is becoming more distorted as depressed energy and grain prices hit Alberta and the Prairie provinces.

Much of the growth of the past three years has centred on the Ontario-based car and home-building industries. Ontario is expected to post a growth rate of close to 6 per cent this year, while Alberta's economy will probably shrink in real terms. The country's overall growth rate will slip to 5.3 per cent.

The strong growth in industrialised Ontario has contributed to a sharp deterioration in the

foreign trade balance. With imports at record levels, Canada in July posted its first trade deficit in ten years. Oil and gas exports dropped to C\$256m in July from C\$419m a year earlier.

Domestic interest rates have come down, but the need to hold up the Canadian dollar by attracting foreign capital has kept the gap between US and Canadian short-term rates unusually wide for much of this year.

In spite of the sharp fall in inflation since the early 1980s, prices in Canada are still rising twice as fast as those in the US, by far its biggest trading partner.

One reason is a relatively strong trade union movement. Canadian members of the International Woodworkers Union voted last week to break away from the organisation because their colleagues south of the border agreed to accept a wage cut before expiry of a labour contract.

Time lost through industrial disputes is expected to double this year. Among the stoppages currently interfering with key Canadian exports are disputes involving grain handlers at the Great Lakes port of Thunder Bay and sawmill workers in British Columbia.

Mr Wilson could, of course, have chosen to stick to his original deficit target by raising taxes or further pruning

government spending. But neither course is politically acceptable at present.

The average family tax rate in Canada has climbed from 25 per cent to 35 per cent in the past 25 years, and the Government's share of gross national product (GNP) has ballooned from 30 per cent to 46 per cent. Far from raising taxes again, the Mulroney Government has announced tentative tax reform plans.

Cutting Government spending is politically risky at a time when the pace of business activity is already slowing, when some sectors genuinely need official support, and when the ruling party has begun to set its eye on the next general election.

The Government has seldom shown an inclination for tough, bold decisions, and it seems unlikely to change now. Mr Wilson said last week that further large spending cuts cannot be made "without significantly affecting spending on regional economic support programmes and social assistance."

Instead, Mr Wilson appears to be banking on factors over which the Canadians have little control—a revival of the US economy, greater benefits from falling oil prices and interest rates, and stronger markets for some of Canada's other resource exports, like gold, base metals and forest products.

Posner wins jail respite

BY WILLIAM HALL IN NEW YORK

MR VICTOR POSNER, the reclusive 67-year-old Miami financier, has won a brief respite in his long-running battle to avoid being sent to jail on tax evasion charges. A Miami judge yesterday overturned an earlier conviction and ordered a new trial.

Mr Posner was convicted in July of evading more than \$1.2m (£816,000) in federal income taxes by inflating the value of land donated to a Miami bible college. Mr Posner faces a maximum sentence of 40 years in jail and a \$75,000 fine. However, a district court

judge in Miami yesterday overturned the earlier verdict because evidence not heard in the courtroom was obtained and discussed by the jury. Judge Eugene Spellman said the jury had shown total disregard for his instructions. He said it was possible that Mr Posner's right to a fair trial had been prejudiced.

Mr Posner is imprisoned in a cell at the Federal House of Correction in Miami. He has been in the cell since his conviction in July 1978. He has been in the cell since his conviction in July 1978. He has been in the cell since his conviction in July 1978.

Chile police hold German teacher

THE WEST GERMAN Foreign Ministry summoned Chile's ambassador to Bonn yesterday to demand the release of a West German-born schoolmistress arrested by Chilean secret police. Reuter reports from Bonn.

Mr Vasco Undurraga was informed that officials wanted access to the woman, Ms Beatriz Brinkmann, and demanded that she be freed.

Ms Brinkmann, who has West German and Chilean nationality, works at a German school in the Chilean town of Valdivia. West Germany's Green Party said she was a member of a human rights group in the town and had been arrested with 11 other members of the group.

West German consular authorities in Chile have discussed Ms Brinkmann's detention with the governor of Valdivia, who had undertaken to contact her behalf with the Chilean authorities.

Hungry miners are turning to cocaine, reports Roger Attwood

Bolivia struggles to survive tin price crash

THE STEEL-BARRED lift known as "the cage" goes clanking down the 1,050-ft shaft to the bottom of Bolivia's Siglo XX mine, where miners have been hewing out tin for a century. But at the bottom of Siglo XX today, there are no chisels and no drills.

Instead, 600 miners lie quietly on the bedrock with blankets over them, on hunger strike to protest against plans by the Government that could close their mine and 10 others. They are victims of Bolivia's economic depression which, officials say, threatens to lay waste the country's centuries-old mining towns and create a social catastrophe.

Few countries in the world depend as much on mineral prices as Bolivia and the collapse in tin prices has meant that the country now faces the prospect of seeing three cities virtually disappear from the map, four centuries after Spanish settlers founded them.

"The drop in tin prices has been catastrophic for Bolivia," said Mr Jaime Villalobos, the Mining Minister. The Govern-

ment is planning to close up to 11 mines and drastically reduce operations at five others as part of a sweeping restructuring of the state mining company Comibol.

The company's tin production fell to 10,000 tonnes last year compared with 21,400 tonnes in 1978. Tin accounted for up to 70 per cent of the country's total exports until the late 1970s.

The number of unemployed miners could rise to 22,000, or more than three-quarters of Comibol's normal level, adding to an official unemployment estimate of 19.5 per cent.

President Victor Paz Estenssoro who was elected in July last year, introduced an economic austerity plan in 1985 to try to halt Bolivia's inflation rate then running at 22,000 per cent. Following spending cuts, tax increases and a wage freeze, the annualised rate for the five months of this year ending in August, has been reduced to 20 per cent.

But Bolivians have paid a high price. The minimum wage stands at the same \$20 a month it was a year ago, while prices

have risen slowly to international levels. The number of beggars in the streets of La Paz has grown and unemployed miners have moved from rural areas to the city slums.

According to Monsignor Julio Terrazas, president of the Bolivian Episcopal Conference, more still may head for the foothills of the Andes seeking food. Bolivia is believed to supply half the world's cocaine.

A report issued earlier this month by the Bolivian Senate said the country produced \$3.8bn worth last year, compared with a legal gross domestic product of \$2.86bn.

Bolivian and US troops began joint operations in July to eradicate the coca crop after US-financed efforts last year proved unsuccessful. Police say the troops dealt a heavy blow to local coca plantations and destroyed seven major cocaine processing plants. They failed to nab any major traffickers, however, and the long-term impact of the operation on the traffic is not yet clear.

The Senate report said that despite an infusion of foreign

currency, the cocaine trade actually drains money away from the local economy and has created both a tiny, untouched mafia of drug executives and a "brutally exploited" underclass of small-scale traffickers.

Left wing opposition leaders who attacked Mr Paz Estenssoro for allowing American troops on Bolivian soil also say the drug trade has worsened poverty and made Bolivia even more dependent on the whims of demand abroad.

The 78-year-old president declared a state of siege late last month as some 7,000 miners marching in protest neared the capital. Saying that leaders of the march would create chaos if they arrived in La Paz, Mr Paz Estenssoro sent troops, tanks and combat aircraft to disperse them.

At the same time police arrested 183 opposition trade union and political leaders accused of seeking to take advantage of the miners' march to overthrow the Government. Fifty-six of the 183 have been banished to internal exile in two villages in the Amazonian jungle. — Reuter.

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ARCLES

## UK NEWS

# Slide in world tractor demand causes lay-offs

BY NICK GARNETT

A STEEP slide in the worldwide demand for agricultural tractors has caused Massey Ferguson to announce its first compulsory redundancies since the early 1970s. The company, part of the re-named Varsity Corporation, said some of the 150 redundancies among its total UK staff of 1,700 would be compulsory. The staff cuts will affect office workers at its Banner Lane plant in Coventry, the Western world's biggest tractor factory, and at its sales, marketing and headquarters building at Stoneleigh, Warwickshire. The Banner Lane plant has been crippled by a strike, now in its third week, of 900 indirect workers, including maintenance and forklift truck drivers. The dispute started

over a disagreement about work allocation. More than 1,000 assembly workers have been laid off. The company said yesterday that the redundancies had nothing to do with the dispute. It also said that it hoped to cope with sliding demand by short-time working. Banner Lane exports 90 per cent of its tractor output. Worldwide demand for tractors above 40 horsepower is down so far this year by 14 per cent.

Output from all tractor plants in the UK, which ranks with Italy as the Western world's largest producer of wheeled tractors, actually fell almost 19 per cent in the first six months of this year, according to the Agricultural Engineers Association.

# Miners join stoppage

BY OUR LABOUR STAFF

MINERS at a pit in Durham, north-east England, went on strike yesterday in support of a 24-hour stoppage by mechanics who had stopped work in response to British Coal's recent pay award. Mr David Hopper, leader of the National Union of Mineworkers in

Durham, urged miners in other areas to take similar action. Durham's 8,000 miners will wait for the outcome of tomorrow's meeting between the NUM and British Coal before deciding whether to start a "mid-week" overtime ban next week.

## WESTERN SCIENTISTS WILL DISCUSS CO-OPERATION IN MOSCOW

# Soviets may put Briton in space

BY PETER MARSH

PROSPECTS for putting a British astronaut into space on board a Soviet vehicle may come closer as a result of a meeting in Moscow next week between officials from the two countries. The meeting is a further sign from the USSR that it is interested in collaborating with Western countries in space science and technology. The three-day gathering, arranged at the behest of the Soviet Union about a month ago, will discuss general areas where Brit-

ain and the USSR could co-operate in space science. Mr Roy Gibson, director of the British National Space Centre and the leader of the UK team to visit Moscow, said yesterday that the discussions could embrace the proposal, which the USSR made informally three months ago, that a UK citizen could go into space on a Soviet space craft to conduct space experiments. This earlier invitation was made during a visit to Moscow of UK members of parliament. At

the time, the UK Government promised to consider the proposal. In another move indicating a more open approach on space co-operation, the USSR has already invited Western satellite companies to put their payloads into orbit on board the Soviet Union's Proton rockets. Launch services in the West have been delayed as a result of technical faults affecting Western Europe's Ariane rocket and the US fleet of space shuttles.

The hiatus in shuttle flights has disrupted the UK's plans to put a person into space. Squadron Leader Nigel Wood, due to be Britain's first astronaut, should have flown on a shuttle in June but is now grounded indefinitely. The seven-person team from Britain to visit Moscow includes two leading UK space scientists, Professor Peter Willmore of Birmingham University and Professor David Southwood of Imperial College in London.

# BA tries to safeguard southern Africa access

BY LYNTON McLAIN

BRITISH Airways tried to win approval yesterday for flights to safeguard its access to southern Africa in the event of sanctions on flights to South Africa. The airline gave evidence to the Civil Aviation Authority on the first day of a public hearing into the competing bids by BA and British Caledonian Airways (BCal) to start air services between London and Gaborone, Botswana, on the border with South Africa. The UK Government refused to accept the ban on flights to South Africa recommended by the Eminent Persons Group set up by the

Commonwealth heads of government under the Nassau accord last year. The Hague declaration by the members of the European Community, including the UK, this summer called for a ban on the import of South African Kruggerands and iron and steel but did not call for a ban on flights. British Airways was concerned about the political sensitivity of the applications to the CAA to start flights between London and Gaborone, but the airline was unable to comment on its plans yesterday because of the run-up to its privatisation early next year.

# Today's £7m relaunch admits early errors

BY RAYMOND SMOODY

TODAY, the revolutionary colour tabloid which failed to live up to expectations, is trying again with a £7m promotional campaign and a contrite face. "We're saying: 'We got it wrong.' It would have been stupid if we had gone on saying Today was a great newspaper. We said that six months ago," Mr Terry Cassidy, Today's managing director, said yesterday. The television advertising campaign, which is costing £900,000 this week alone, goes on to emphasise the changes that have been made since the disastrous launch in March.

Apart from increased news coverage and the claim that they have now got the colour right, the advertisements promote the four new extra sections, Mopsey, Woman, Weekend and Sport, which will run from Wednesdays to Saturdays. A new game, Cine Ball, based on the position of the balls in a real snooker game begins next week with £1,000 in television equipment as prizes every day. Mr Cassidy said six to nine months' work on what was effectively a relaunch was compressed into just over two months to meet yesterday's deadline.

# French boost GEC bid to keep airborne warning contract

BY DAVID BUCHAN

GEC's bid to keep its contract to provide Britain with an airborne early warning (AEW) system was yesterday strengthened with a public endorsement from British Aerospace (BAe) and with further reports of potential French interest in buying it.

At a press conference at the GEC Avionics factory at Radlett, north of London, Mr Bill Alexander, the company's managing director, said GEC had made all its promised improvements to the troubled Nimrod radar within the six-month time schedule and the £50m cost agreed with the Ministry of Defence in March.

GEC, which is trying to fight off strong US competition for the AEW contract, was committed to getting a first batch of three Nimrod AEW aircraft into service in autumn 1987.

Mr Sydney Gillibrand, managing director of BAe's civil aircraft division, yesterday used the occasion of the GEC press conference to come out openly in support of the GEC bid.

BAe, which has worked with GEC on the Nimrod programme, was now convinced that recent improve-

ments to the GEC radar made an all-British AEW system the best option for the Royal Air Force, he said.

If for some reason GEC failed in the competition, then the second best option, Mr Gillibrand said, was that which would use a British airframe - the placement by BAe of the US-built Grumman radar in the Nimrod. Hitherto, BAe has sat on the sidelines, as the various contenders for the prime contract have sought to enlist maximum support from UK defence sub-contractors.

GEC also disclosed that last week officials of the French Defence Ministry and air force had visited the company and had expressed interest in trying out a Nimrod AEW aircraft over France later this year. GEC had agreed to the request.

France is now surveying the same major AEW options as Britain with a view to saving money by a common purchase of the same system by both countries. If it bought the GEC radar, it would put it in a different, and probably French, airframe since production of the Nimrod aircraft has now stopped.

# Saatchi shares fall after US resignation

BY ALICE RAWSTHORN

SHARES in Saatchi & Saatchi, the international business services group, fell by 10p to 85p yesterday on the news that Mr Robert Jacoby, chairman and chief executive of Ted Bates, the US agency which Saatchi took over in May, had left the agency.

Saatchi is now in the process of reviewing the structure of its communications division.

Mr Jacoby relinquished his post on Thursday. He has since been offered a "senior post" within Saatchi's communications division. His departure came after confrontations with both the Ted Bates board and the Saatchi main board over his proposals for senior management changes at Ted Bates.

In Mr Jacoby's proposals the president of the Ted Bates agency in New York, Mr Donald Zuckert, was to move into an administrative post to be replaced by the executive vice president of global development, Mr John Nichols.

After days of conflict within Ted Bates Mr Anthony Simmonds-Gooding, chairman and chief executive of Saatchi's communications division, confronted Mr Jacoby. As a result Mr Jacoby has given up his post as chairman and chief executive, to be succeeded by Mr Zuckert.

The £450m (£300m) merger between Saatchi and Ted Bates, which fulfilled Saatchi's long-held ambition to become the world's largest advertising agency, has been far from happy.

Since the merger's completion, Ted Bates has lost a series of advertising accounts because of perceived conflict with accounts handled by Saatchi. Ted Bates' losses of substantial clients such as Warner Lambert and Colgate Palmolive was followed by the decision two weeks ago by Procter & Gamble, the world's largest advertiser and Saatchi's largest client, to remove \$50m of business from Saatchi.

# NatWest shares service

BY OUR FINANCIAL STAFF

NATIONAL WESTMINSTER Bank is today launching an experimental share information service in eight branches. Called Market View, it will enable customers to use screens to obtain information about share prices and the stock market, as well as investment advice via a "hotline" to NatWest's stockbroking subsidiary, Fielding Newson-Smith.

The branches will also be linked by computer to Fieldings to initiate and confirm transactions.

The scheme is one of a number of projects launched by the banks to bring stock-exchange services directly to their customers as a result of the changes brought about by the so-called Big Bang.

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U.S. \$ 100,000,000  
Guaranteed Floating Rate Notes due 1995  
Guaranteed by

Banco Hispano Americano, S.A.,  
Early redemption on October 24, 1986

In accordance with article 3 of the Terms and Conditions of the issue all Notes are called for early redemption at par on October 24, 1986.

The Bonds will be paid at  
Commerzbank Aktiengesellschaft, Frankfurt/Main  
(Principal Paying Agent)  
and Banco Hispano Americano, S.A., Madrid, Commerzbank Aktiengesellschaft, London, Credit Lyonnais, Paris and Luxembourg, Kredietbank N.V., Brussels and Swiss Bank Corporation, Basel.

The Notes shall cease to bear interest as per October 23, 1986. Coupons as per April 1987 and following are to be attached to the Notes. The coupon as per October 24, 1986 will be paid separately.

George Town/Grand Cayman, September 1985

Hispano Americano International Limited



U.S. \$50,000,000  
Credit Chimique  
Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that for the initial interest period from 23 September to 11 December, 1986 the Notes will carry an Interest Rate of 6 1/4% per annum. The interest payable on the relevant Interest Payment Date, 11th December, 1986 will be U.S. \$136.11 per US\$10,000 principal amount. Such interest on Bespoke Notes in Temporary Global form will be payable only through CedeL S.A. and Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear system (the "Euro-clear Operator") against receipt of certification as to non-US beneficial ownership of the noteholders.

By The Chase Manhattan Bank N.A., London  
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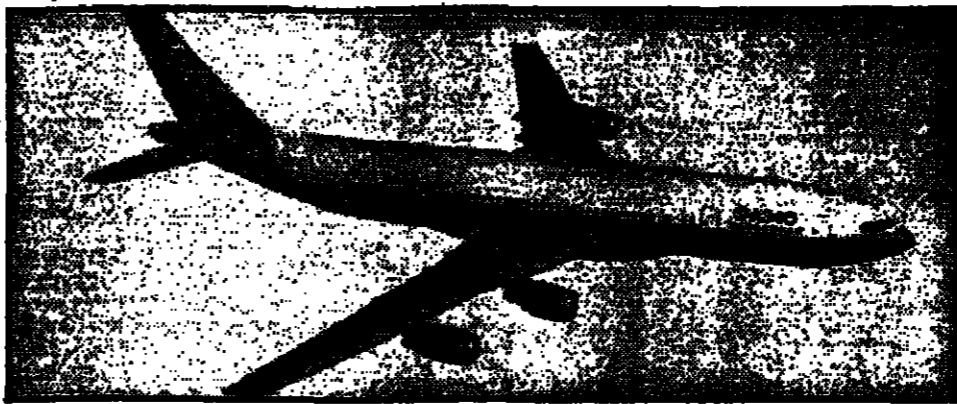
Wherever the possibilities of finding oil exist, Agip is present with its spirit of initiative and decades of experience. The results achieved, alone or in cooperation with leading oil companies, in 30 countries, on 5 continents, make Agip a reliable operator in any oil activity. Even where no-one has ever reached.

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UK AEROSPACE

Airbus cash support puts Government on the spot



BRITISH AEROSPACE is expected to submit to the Government some time later this year its request for launching aid for its share of the work on the next generation of European Airbus — the A-330 high-density twin-engine medium range jet and the A-340 long-range four-engine aircraft.

Precise details of the amount to be sought are still being clarified, but it is expected to be not less than £500m, for work on design, development and production of the advanced technology common wing to be used for both aircraft.

Although designed for different roles, the two aircraft will be built together on one assembly line with common fuselage size as well as common wings, and common systems.

The way ahead for both aircraft depends entirely upon the cash support that will be forthcoming from the European governments that are the shareholders in Airbus Industrie — the UK, West Germany, France and Spain.

For it is clear that none of the companies involved — BAE in the UK, Deutsche Airbus (which includes Messerschmitt-Bölkow-Blom and Dornier) of Germany, Aerospaziale of France and Casa of Spain — has the internal funds to cover the estimated \$6bn (over £2.7bn) cost of the prospective joint A-330/A-340 venture.

The possibilities of spreading this cost, and reducing the ferocity of competition in world markets for the next-generation jets, by collaboration between Airbus and the Douglas Aircraft Division of McDonnell Douglas of the US, have faded.

Talks between them over recent weeks have been officially described as "inconclusive", which in effect means that there will be no collaboration in the foreseeable future, although both companies declare that they are ready to explore other possible "areas of common interest".

Those talks foundered because neither side was prepared to give up its most cherished ambition — Airbus the desire to

widen its programme into a "family" of jets by building both the high-density medium-range A-330 and the long-range A-340 for routes of low traffic density, and Douglas to build a successor to its long-running DC-10, the MD-11 tri-jet.

At the recent Farnborough air show, both companies stood firm. Douglas said that it intended to go ahead with the MD-11, and that it already had commitments for seven aircraft from three airlines and needed only another 12 aircraft committed to permit formal launch. It also said it was already contemplating further versions of the MD-11 for even longer range and higher payloads.

Douglas' view was that Airbus should drop the A-340 and join it on the MD-11, with Douglas then co-operating on developing the A-330.

Airbus reply was blunt. It had no intention of dropping the A-340, which it aimed was attracting increasing interest in world markets. Nor would collaboration on the A-330 alone make sense, because apart from being part of a dual aircraft strategy even that aircraft would clash with the MD-11 on trans-US flights, or similar medium-to-long routes.

Mr Jean Pierson, president of Airbus, said that in any event, the Airbus strategy was to develop the A-330 and A-340 together, with common fuselages, wings and systems, and that to split them by dropping the A-340 and continuing the A-330 alone would not be a viable proposition either technologically or economically.

Airbus Industrie is now putting considerable energy into refining the costs and technical details of the A-330/A-340, and discussing them with airlines world-wide. Later this year, the Airbus Board will review the situation, and make a final commitment on the aircraft.

At that stage, it will invite its member companies to subscribe cash in proportion to the amount of work they want out of the new venture.

It will then be up to those companies to decide what to do — stay in, or withdraw. All are expected to want to stay in, but whether they will be able to do so will depend on how far they can convince their governments to put up the money.

The sum is considerable. The earlier estimates of \$4.5bn for development costs have been revised upwards and are now believed to be closer to \$4bn, if not more.

BAe, which wants to build the advanced technology common wing for the aircraft, and on which it has already done much design work, will need to put up between \$700m and \$1bn, or over 500m. BAe has a stake of 20 per cent in Airbus, but the work involved on the common wing will probably account for more than 30 per cent of the total cost of the A-330/A-340.

It will ask the UK Government for all of it, in the hope of getting some. It says it cannot subscribe it all by itself, because its own cash reserves are already committed on other civil aircraft ventures, especially the 146 regional jet airliner and the Advanced Turbo-prop aircraft.

It could borrow the money, but is reluctant to do so because it would encumber its balance sheet with a long-term interest debt before any cash came back from aircraft sales — probably involving several years.

The Government could find itself in a dilemma on the issue. To grant all the money sought in launching aid could lay it open to a charge of excessively supporting the venture from public funds, even on a

repayment basis, to help an industry that is already one of the most well-supported by the Government, especially through defence votes.

Although BAe itself has only received launching aid for civil ventures on the Airbus A-320 airliner, other aviation programmes on which it is involved — Hawk, Harrier jump jet, missile and space ventures — have Government support, with substantial cash for the new Eurofighter also on the verge of being sought.

Moreover, Airbus Industrie has yet to earn profits, and there is no guarantee that the UK Government will get its money back on the launch aid already provided for the A-320, let alone on any support for the A-330/A-340 ventures.

At the same time however, to deny launch aid for the A-330/A-340 could result in BAe withdrawing from those ventures (although it would continue existing Airbus work), and thus the valuable advanced technology wing development would pass to continental or even US companies. For Airbus has made it clear that its new aircraft will be built, with other partners if BAe or anyone else drops out.

The trade unions, conscious of the potential loss of jobs if the A-330/A-340 wing work went overseas, are already pressing for Government support.

Thus, a delicate balance will have to be struck by the Government. The last thing it wants is major political storm on a par with last winter's Westland affair, especially when it also already faces other aviation problems, such as what to do about the future of the Nimrod airborne early warning aircraft — buy American or continue to support the Nimrod, in each case at considerable expense.

BAe recognises that it will have to present its case to the Government carefully, and that it will have to mobilise public opinion on its side. The next few months, therefore, could be particularly critical not only for the company, but also for the UK aerospace industry as a whole.

Michael Donne

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al 50<sup>th</sup> appuntamento

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NOTICE OF REDEMPTION

To the Holders of  
**Naamloze Vennootschap DSM**  
8% Debentures Due August 1, 1988

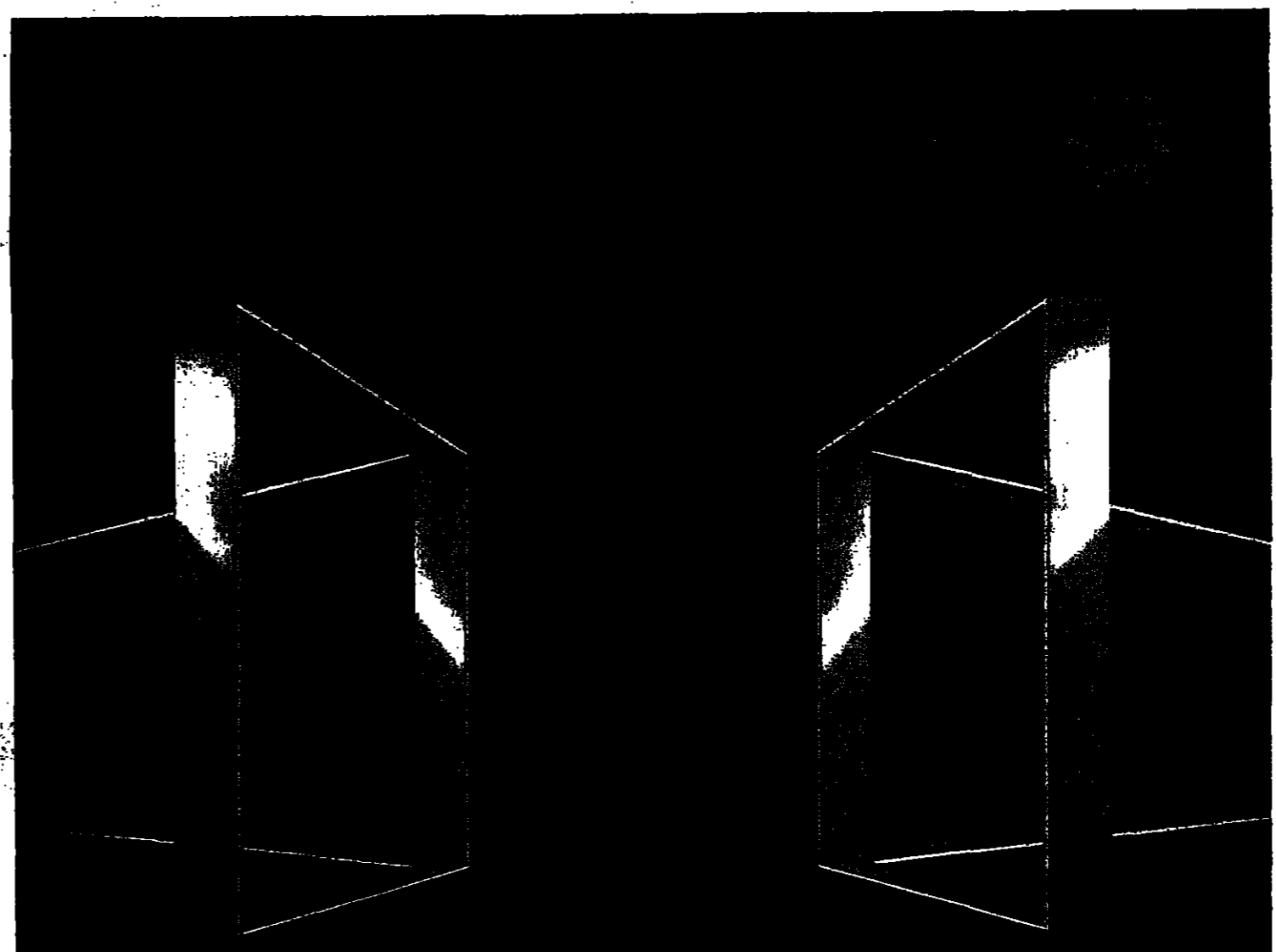
NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of August 1, 1976 providing for the above Debentures, (the "Debentures") and Paragraph 7 of the Debentures, Naamloze Vennootschap DSM has elected to redeem all of the Debentures on October 17, 1986 at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to said date in the amount of \$38.47 per \$1,000 principal amount of Debentures. On October 17, 1986, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 236th Floor, 30 West Broadway, New York, N.Y. 10025, at the main office of European-American Bank & Trust Company in the City of New York, or (b) at the main offices of any of the following Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris, Tokyo and Zurich; the main office of European Banking Company Limited in London; the main offices of Credito Romagnolo S.p.A. in Milan and Rome; the main offices of Amsterdam-Rotterdam Bank N.V. in Amsterdam and Rotterdam; the main offices of Swiss Bank Corporation in Basle, Geneva, Lausanne and Zurich; and the main office of Banque Generale du Luxembourg in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due on or prior to August 1, 1986 should be detached and collected in the usual manner. On and after October 17, 1986 interest shall cease to accrue on the Debentures herein designated for redemption.

DSM (Naamloze Vennootschap DSM)  
by: Morgan Guaranty Trust Company  
of New York, Trustee.

Dated: September 11, 1986

Under the Interest and Dividend Tax Compliance Act of 1968, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Those holders who are required to provide their correct taxpayer identifying number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.



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NOTICE OF REDEMPTION

THE PROCTER & GAMBLE COMPANY

Extendible Notes Due December 15, 1994

NOTICE IS HEREBY GIVEN that, pursuant to paragraph 7(c) of the Terms and Conditions of the Notes described above (the "Notes") the Company has elected to and shall redeem on October 15, 1986 (the "Redemption Date") U.S. \$52,000,000 aggregate principal amount of Notes as a redemption price of 101% of the principal amount thereof (the "Redemption Price"), plus accrued interest from December 15, 1985 to the Redemption Date in the amount of \$90.63 for each \$1,000 principal amount of Notes. The serial numbers of the Bearer Notes selected for redemption are as follows:

OUTSTANDING BEARER NOTES IN THE DENOMINATION OF U.S. \$1,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

FROM	THROUGH	FROM	THROUGH	FROM	THROUGH
1	500	17001	27500	48501	59000
1501	3000	28001	28500	51501	52000
4501	5000	29001	30500	55501	56000
10501	11000	31001	31500	60501	61000
11501	12000	32001	32500	64501	65000
14501	15000	33001	33500	68501	69000
16501	17000	34001	34500	72501	73000
17001	17500	35001	35500	76501	77000
18501	19000	36001	36500	80501	81000
21501	22000	37001	37500	84501	85000
24501	25000	38001	38500	88501	89000
26501	27000	39001	39500	92501	93000

OUTSTANDING BEARER NOTES IN THE DENOMINATION OF U.S. \$10,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

FROM	THROUGH	FROM	THROUGH	FROM	THROUGH
201	250	2151	2200	5101	5150
301	350	2251	2300	5251	5300
401	450	2351	2400	5401	5450
501	550	2451	2500	5551	5600
601	650	2551	2600	5701	5750
701	750	2651	2700	5851	5900
801	850	2751	2800	6001	6050
901	950	2851	2900	6151	6200
1001	1050	2951	3000	6301	6350
1101	1150	3051	3100	6451	6500
1201	1250	3151	3200	6601	6650
1301	1350	3251	3300	6751	6800
1401	1450	3351	3400	6901	6950
1501	1550	3451	3500	7051	7100
1601	1650	3551	3600	7201	7250
1701	1750	3651	3700	7351	7400
1801	1850	3751	3800		
1901	1950	3851	3900		

The Notes shall become due and payable on the Redemption Date at the Redemption Price, plus accrued interest, which shall be paid upon presentation and surrender of the Notes, together with all coupons thereto appertaining maturing after the Redemption Date, at the paying agents listed below.

The Notes to be redeemed will no longer be outstanding on and after the Redemption Date. Interest on the Notes will cease to accrue from and after the Redemption Date, the coupons for such interest shall be void, and the sole right of a Note holder shall be to receive the redemption price plus interest accrued on such Note to the Redemption Date.

Payments at the office of any paying agent will be made by check drawn on a bank in New York City or by transfer to a dollar account maintained by the payee with a bank in Europe. Following this redemption, U.S. \$13,000,000 aggregate principal amount of Notes will remain outstanding.

PAYING AGENTS

- |                                                                                                      |                                                                                                               |
|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Morgan Guaranty Trust Company of New York<br>Morgan House, 1 Angel Court<br>London EC2R 7AE, England | Morgan Guaranty Trust Company of New York<br>Mainzer Landstrasse 46<br>6000 Frankfurt-am-Main<br>West Germany |
| Morgan Guaranty Trust Company of New York<br>Avenue des Arts 35<br>B-1040 Brussels, Belgium          | Amsterdam-Rotterdam Bank N.V.<br>Herengracht 595<br>Amsterdam<br>The Netherlands                              |
| Union Bank of Switzerland<br>Bahnhofstrasse 45<br>CH-8021 Zurich<br>Switzerland                      | Kreditbank S.A. Luxembourggoeloe<br>43 Boulevard Royal<br>Luxembourg, Luxembourg                              |

THE PROCTER & GAMBLE COMPANY

By: Morgan Guaranty Trust Company  
OF NEW YORK, Fiscal and Paying Agents

Dated: September 15, 1986

Tory leadership faces policy challenge from party supporters

BY JOHN HUNT

THE AGENDA for next month's Conservative Party annual conference shows strong dissatisfaction among the Tory rank-and-file at the way the Government is presenting its policies in the run-up to the next general election.

There are 90 motions on party policy and public relations, most of them critical of what is perceived as a failure to put the Government's message across to the electorate. This unusually large number of hostile resolutions indicates that the party faithful will be meeting in a troubled mood for the crucial conference in Bournemouth which could be the last before a general election.

The agenda reflects great concern over education which tops the list with 140 resolutions, and law and order with 98. Intense worry about the continued high level of unemployment is also reflected. There are 51 motions on employment, many urging the Government to do more to reduce the number of jobs.

The debate on taxation, a central theme in all parties, will come up at the conference although it is not mentioned in the motion chosen for the economic debate. However, resolutions from the constituencies

give a warning that tax cuts should not be made at the expense of public services.

Mr Peter Walker, the Energy Secretary, who has been critical of government policy, will be talking to the Tory reform group about the future course of the party and addressing two other meetings. Mr John Biffen, leader of the House of Commons, who has not always been in step with Mrs Margaret Thatcher, Prime Minister, will talk to the reform group on the need to win a third term.

Mr Norman Tebbit, party chairman, will be in the firing line at the conference. Yesterday, when he launched the agenda, he shrugged off the many hostile motions. He predicted that he would have a "pretty good story" to tell about what the Government had been doing. He thought the large number of resolutions on education was not surprising in view of a teachers' dispute and the need to improve standards.

Mr Jeffrey Archer, deputy chairman, said that, when he toured the constituencies a year ago, he had been very depressed at what he had seen, but now morale had improved, and he felt a lot happier.

Liberal assembly, Page 12

UK NEWS

Higher European coal demand forecast following Chernobyl

BY MAURICE SAMUELSON

A REPORT on Europe's market for power-station coal assumes that Britain will go ahead with the controversial nuclear power station at Sizewell on the east coast of England and that by the year 2005 three plants of the same kind will have been commissioned.

But with politicians still inflamed by the disaster at Chernobyl in the Soviet Union, earlier this year, it expects most European nuclear plants still at the planning stage to be replaced by new coal-fired power stations.

The report, issued by DRI European Energy Services, says the size of the power-station coal market over the next two decades is also

clouded by uncertainty about electricity demand growth and by the volatility of oil prices.

It predicts that the amount of coal Europe's power stations burn could rise from 170m tonnes in 1985 to between 207m tonnes and 246m tonnes in 2005 but makes three major qualifications:

• If the oil price settles again at \$10 a barrel, some 31m tonnes of power-station coal could be displaced by 1990, cutting the coal used to 15m tonnes below the 1985 level.

• A deviation of only 1 per cent from DRI's central forecast of electricity demand growth rates would mean the amount of coal burned

could range between 170m tonnes a year and 254m tonnes in 1995 and between 181m tonnes and 300m tonnes in 2005.

• Premature closures of nuclear plants because of Chernobyl might boost coal burn by only 4m tonnes a year by 1990. But a reduced nuclear programme could boost coal usage by 21m tonnes by 2005 and by 42m tonnes by 2005.

DRI foresees little growth in the industrial fuel markets where coal can compete but currently holds only a 9 per cent share.

European Coal Markets - Prospects and Risks, available from DRI Europe, 13 rue de Quatre Septembre, 75002, Paris.

EEC ministers discuss new jobs strategy

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

EMPLOYMENT ministers from the European Community yesterday began a two-day meeting in Edinburgh which Britain hopes will lead to the EEC adopting a new strategy in its approach to fighting unemployment.

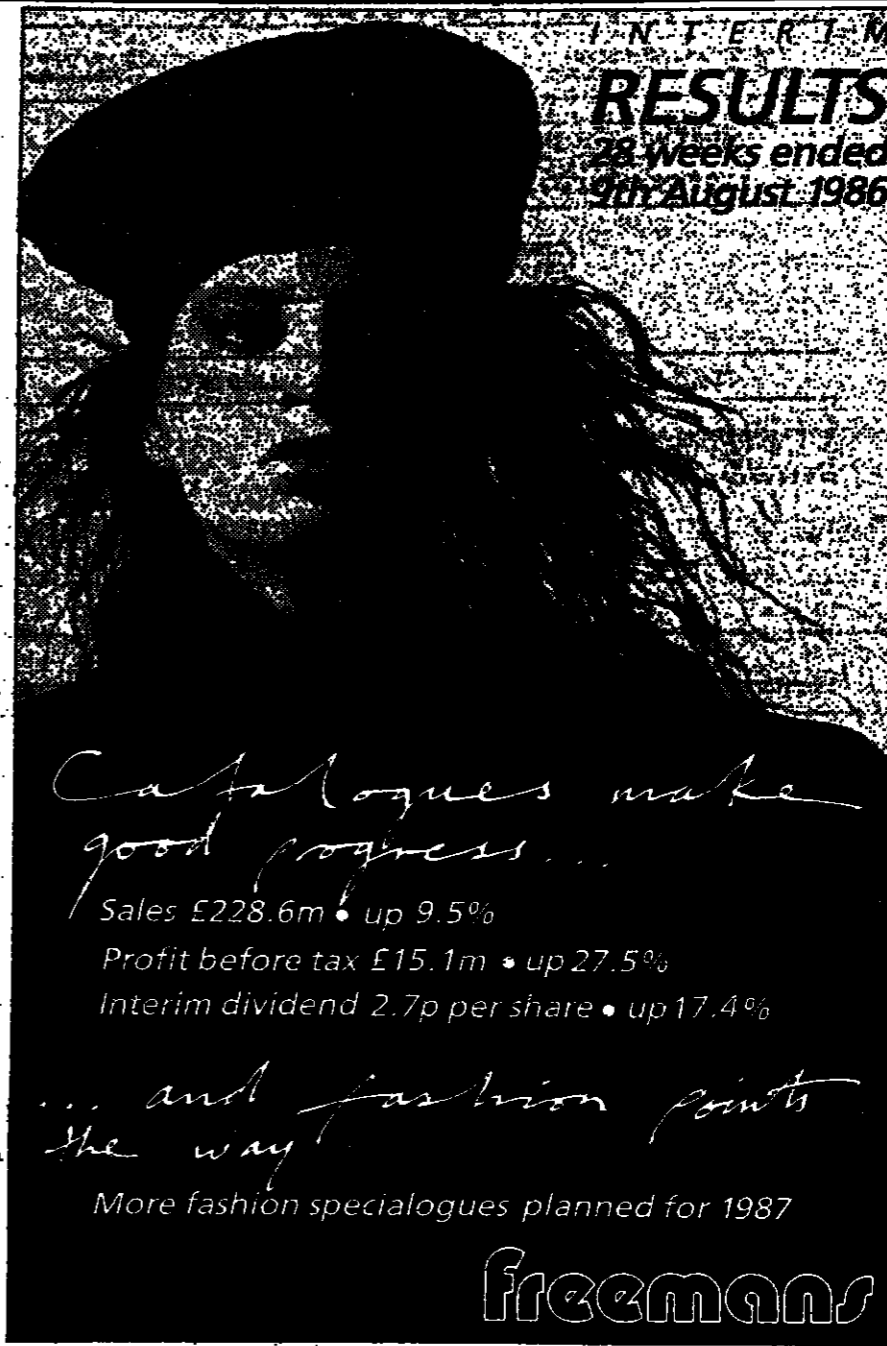
The ministers are discussing a set of proposals aimed at creating jobs which concentrate on assisting small businesses and fostering self-employment, and encouraging more flexible working practices.

The meeting is chaired by Lord Young, the British Employment Secretary, since Britain currently holds the presidency of the Community. The ministers are examining a document drafted by the employment ministers of Britain, Italy and Ireland.

Yesterday Lord Young and Mr Kenneth Clarke, the UK Employment Minister, explained at a press conference that the proposals being considered constituted a major shift in the way the EEC employment ministers' council has approached the Community's employment problems.

Britain wants to put the emphasis on freeing constraints on employment, in line with the policies pursued by the Thatcher Government in Britain. The British team points out that the two other employment ministers who drafted the document being considered in Edinburgh are both Socialists - Mr Gianni de Michelis of Italy and Mr Rory Quinn of Ireland.

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23rd September, 1986

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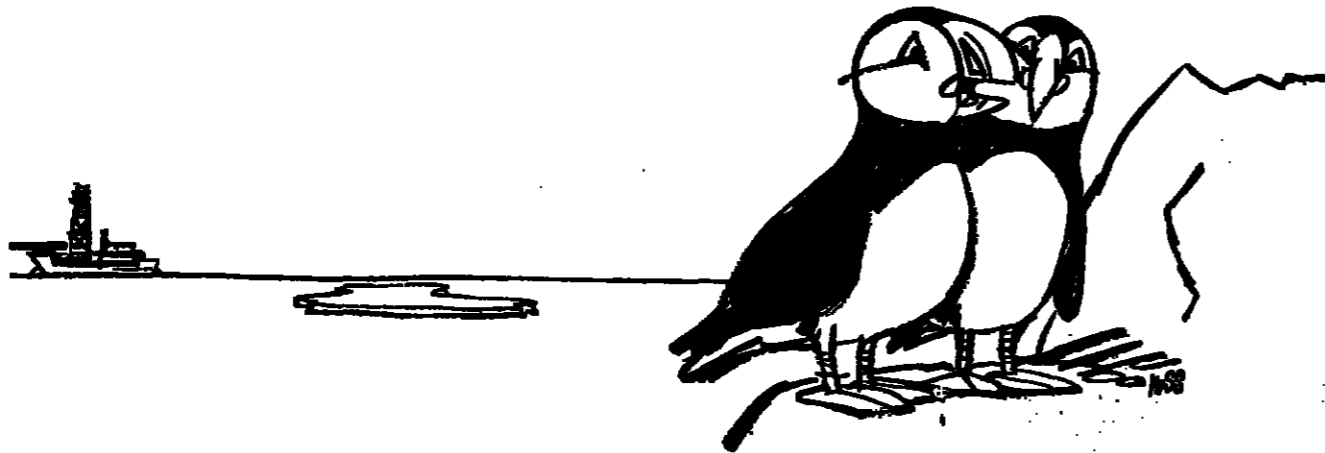
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## UK NEWS

### Steel expects support on nuclear defence stance

BY PETER RIDDELL, POLITICAL EDITOR

MR DAVID STEEL, the Liberal leader, was last night confident of winning the support today of his annual party assembly in Eastbourne for a flexible negotiating position in reaching agreement with the Social Democratic Party (SDP) on a joint Alliance nuclear defence policy.

This followed a day of considerable behind-the-scenes manoeuvring and a skilful conciliatory speech from Dr David Owen, the SDP leader.

Dr Owen pleased Liberal leaders, as well as SDP colleagues, by stressing the need for disarmament. This follows recent criticism that he had been placing too much emphasis on defence and weapons. However, after what one senior Liberal described as a seminar on arms talks, he emphasised that Britain and the Alliance must show a firm and clear commitment on defence to be listened to on disarmament. This was seen as a warning to Liberal unilateralists.

Last night in a lengthy speech to Liberal candidates, Mr Steel sought to reassure them that his and Dr Owen's support for a possible pooling of British and French nuclear resources could help disarmament

time discussions and the party should not try to dot the 'i's and cross the 't's on the policy to be presented to the electorate. The tone of these remarks was regarded as politically skilful even

### Liberal Party assembly

and would not create a third nuclear superpower.

Both Alliance leaders emphasised the latest international initiatives on arms control and the Stockholm talks. They noted that both superpowers accepted that the British and French deterrent would be left out of immediate arms negotiations. Mr Steel said that with this background Britain might abandon its deterrent capability unwittingly through obsolescence, but this would not achieve a non-nuclear Europe.

He said that the leadership should therefore be allowed to con-

by the many Liberal supporters of unilateral disarmament, but they felt there had been no change of substance in Dr Owen's support for a continued British nuclear capability. There is also criticism of Mr Steel's Euro-initiative, so yesterday's speeches may not change many votes by themselves.

However, the leadership has strengthened its position by agreeing to accept an amendment which refers to existing Liberal policy on defence. This is parallel to a conciliatory move at last week's SDP conference in Harrogate which was intended to increase the flexibility of Alliance negotiations.

### Michael Cassell examines the arms issue

### European mission bids for time

ALLIANCE LEADERS last night made strenuous efforts to protect their fragile, joint initiative to explore the chances for a European nuclear minimum deterrent further while leaving open the question of a Polish replacement.

The issue represents for the Alliance one of the greatest areas for potential disagreement, given Dr David Owen's readiness to maintain a British nuclear capacity and the Liberal Party's long-standing opposition to nuclear weapons.

But although today's debate is expected firmly to undermine the Liberal Party's continuing commitment to non-nuclear defences, its leaders believe that they will win more time to continue their European mission.

Last week's SDP conference voted to give Dr Owen, the party leader, the widest possible room for manoeuvre in continuing to investigate, with the Liberals, the opportunities for a European nuclear defence policy. Yesterday, the Liberal Party launched a repeat exercise aimed at an altogether tougher audience.

Dr Owen, in a noticeably cool and conciliatory speech to his Liberal partners, attempted to smooth the way for today's debate by repeatedly emphasising the need for peace and for disarmament alongside his call for an effective defence strategy.

He reminded delegates that the debate was not just about defence but about a commitment to sensible disarmament and the formulation of a policy which would make sense to the British electorate and prove acceptable to Nato. But he emphasised that only if Britain appeared committed and firm on defence, would its calls for disarmament be taken seriously.

Mr Steel, in an evening rallying call to the Liberal Parliamentary Association, said it was undesirable at this stage to work out the fine detail of an Alliance policy which would not be put to the test at a general election until 1987 or 1988. The assembly, he said, had to establish as clearly as possible the principles on which the policy would be based, against a backdrop of change.

The Liberal leader said that, by pooling British and French nuclear resources, the two countries could exert a stronger influence on the course of disarmament both within Europe and globally. Alliance policy, he stated, had to be based on "genuine defence and real drive for international disarmament."

But yesterday also revealed the strength of some of the opposition within the Liberal Party to the European alternative. Mr Paddy Ashdown, the MP for Yeovil, attacked the suggestion of a European component to the Western nuclear deterrent. An independent nuclear capacity, he claimed, would complicate and undermine the process of arms control and should be resisted.

Mr Simon Hughes, the MP for Southwark and Bermondsey, who last week called for the Liberals to restate their commitment to a non-nuclear Europe, said he could not support the leadership in its latest effort. Lord Tordoff said he believed the Liberals had to "edge away from the nuclear fallacy."

### Demand for wider share in industry

By Tom Lynch

THE GOVERNMENT had stolen the Liberals' slogan of profit sharing but had not adopted the policy which went with it, the assembly was told.

Ms Chris Graham (Wiltshire) said the Chancellor of the Exchequer's recent proposals for profit-related pay might seem like a great leap to the Government, but for the Liberals it was only a small step.

The conference overwhelmingly backed her motion, urging wider worker participation in industry, encouragement for co-operatives and profit sharing.

Lord Ezra, former chairman of the National Coal Board (NCB), strongly backed the motion but said participation was not an easy course to follow.

Drawing on his experience at the NCB, where, he said, he had tried to have effective consultations and participation at all levels, he said: "You need a lot of faith and determination to persuade both management and unions that this is desirable."

There was unanimous support for a resolution seeking more overseas aid after a succession of speakers argued that it did not go far enough.

### 'Priority' to end industry decline

By Ivar Owen

MR PADDY ASHDOWN, MP for Yeovil and the party's spokesman on trade and industry, assured the assembly that reversing the decline in the manufacturing sector would be an economic "priority" for Liberals in government.

He attacked the Government's complacency in face of the fact that Britain had now become a net importer of manufactured goods and had a lower level of industrial investment than all the other members of the EEC, apart from Belgium and Denmark.

Mr Ashdown also criticised the "stick operators" in the City of London who earn fabulous sums chasing a "fast buck" rather than investing in the long-term prosperity of Britain.



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# FINANCIAL TIMES SURVEY

Tuesday September 23 1986

# Tennessee

Business is sweeping into the US state, which promises it will provide tomorrow's jobs but fight to retain yesterday's values

## Tidal wave of investment

TENNESSEE is setting America's agenda for the late 1980s. If the state can deliver its promise of "tomorrow's jobs, yesterday's values," it will establish itself as a success symbol of the decade.

Thousands of tomorrow's jobs are coming with a tidal wave of new investment. On the crest is General Motors' \$5.5bn Saturn plant, won last year against fierce competition from other states.

Home-grown entrepreneurs are leading the nation in the development of new services that catch the American mood— from private prisons to education management consultants. Yet Tennessee remains relatively poor among US states and also faces a hemorrhage of jobs from traditional industry. Booms in one part of the state may explode with a political bang in others if growth is not more evenly spread.

If education is one of the foremost of yesterday's values, Tennessee is already leading the way with a Better Schools programme intended to improve basic skills at the primary level, emphasising science and maths in secondary schools and establish centres of excellence in the state universities. The programme includes "merit pay" for teachers—payment by results—the first state to enact the hotly debated principle.

"Tomorrow's jobs, yesterday's values" bears the imprint of Governor Lamar Alexander, architect of the state's international success in attracting more than \$1bn in Japanese direct investment since 1978. In two terms (the state's limit) the Republican governor has dominated the Democrat-controlled legislature and spelled out his own priorities for Tennessee.

It is a measure of his accom-

plishment in this Southern state that his slogan carries no political overtones. It communicates instead the ties to the past and to the land felt by black and white city and mountain dweller alike—the tradition of civility and hard work.

Homecoming '86, another state promotion, also illustrates Governor Alexander's knack for catching and moulding the mood of his fellow Tennesseans. It celebrates tradition, provides an incentive for volunteer cleaning up of many a down-at-heel small town—and those tourist dollars don't hurt. The co-chairman, Boots author Alex Haley and country comedienne Minnie Pearl, would balance any ticket, especially in Tennessee.

Tennessee has been defined as "southern" for more than a century. But it originally was "western," the first frontier for

white settlers coming over the Appalachians. Tennesseans got their name as Volunteers by over-subscribing any call to arms, sometimes paying for the right to enlist. They flooded to Texas to fight against the Mexicans, and the state's most famous ex-Congressman—David Crockett—died at the Alamo.

Tennessee has long been America's cultural crossroads. Country met western, blues met bluegrass, Elvis Presley left Memphis for Memphis, where jazz musician W. C. Handy had already put Beale Street on the map.

Nashville has grown from "Music City" to "The Third Coast" and the faithful can worship anywhere from Elvis's Graceland shrine in Memphis to a Grand Ole Opry tented-up at a theme-park setting, to Ms Parton's own Dollywood in the shadow of the Smoky Mountains. Tennessee has five official state songs at last count.

Tennessee has now discovered that it occupies the economic crossroads of America's largest market. With the shift to the Sunbelt, 80 per cent of US population now lives within 600 miles of Nashville.

"We have just popped into the centre of the US market," says Governor Alexander.

The state's largest cities have good access to interstate highways. Memphis boasts one of the fastest growing US airports, thanks to Federal Express, world leader in small-package delivery, and is a "hub" for Northwest Airlines flights. Nashville is building a \$300m terminal, in part to accommodate the growing operations of American Airlines' new "mini-hub".

Tennessee is also the most centrally located "right-to-work" state. Its laws prohibit closed

shops, or any form of compulsory union membership, giving it a recruiting advantage over neighbouring Kentucky, which is closer to mid-west and north-east markets.

As close as it is to important markets, Tennessee itself is a broad and diverse state, with three "grand divisions" separated by geography, history, economics and culture. With pride, and perhaps with resignation, Tennesseans point out that Bristol, in the far north-east of the state, is closer to the Ohio Valley than to any other part of the state.

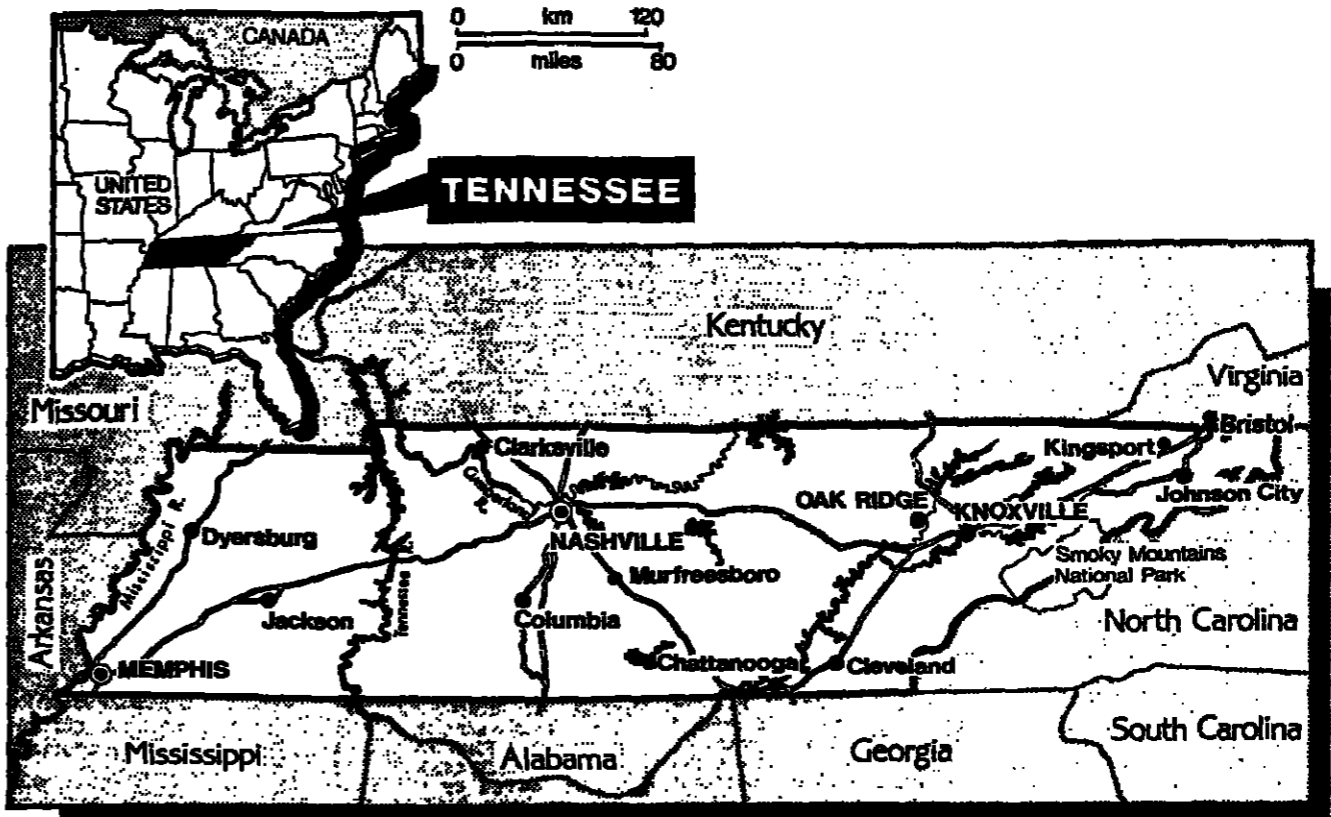
The three regions—east, middle and west Tennessee—dominate the state's political life even more than political parties. East Tennessee may have been staunchly Republican for 125 years, but was beside the Republican governor who tries to give it a new prison but not a medical school.

If there is anything East and West Tennessee can agree about, it is that middle Tennessee gets more than its share of everything good, largely because the state capital is in Nashville. When the world says Tennessee is the new industrial Mecca, often these days it means middle Tennessee.

In the 94 years to July, middle Tennessee received more than 54 per cent of the state's \$11bn in new or expanded investment, against 33 per cent for the east and only 13 per cent for the west. The central region also won 41 per cent of the resulting 112,000 new jobs, against 33 per cent and 24 per cent for east and west respectively. Almost \$1bn in building permits were issued in Nashville last year, the highest total for any south-east city and 10th in the US.

"One of the challenges is how do you spread the benefits to the rest of the state," says Dr John Gusschke, a Memphis State University economist.

Economic performance will have to pick up if the promise of tomorrow's jobs is to be fulfilled. From 1979 to 1985, the state's non-agricultural employment grew by only 4.7 per cent, lagging well behind the US figure of 8.8 per cent. The Nashville metropolitan area led the state with 17.2 per cent growth, and north-east Tennessee's industrial Tri-Cities (Kingsport, Bristol and Johnson City) added 11.1 per cent. Memphis and



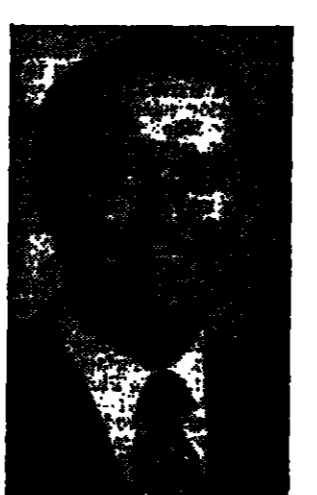
Knoxville both exceeded the state average, but Chattanooga barely added any jobs in the six years and the non-urban areas of the state showed 3.4 per cent growth.

Tennessee's per capita income has levelled off at just above 80 per cent of the US figure since the early 1970s, the end of its steady post-war improvement. In the past five years, however, Tennessee has improved its ranking from 45th to 40th among US states. But regional disparities also prevail here. Nashville exceeds the US per capita figure, but 10 rural counties have incomes of less than half the national average.

Governor Alexander admits the task facing Tennessee. "Ten per cent of our jobs disappear every year," he told the state legislature in February. "That means that about 200,000 people have to find new jobs every year if we are to keep making gains."

"So the key to our progress is not government giveaways to industry, or slowing down the loss of jobs that are destined to disappear, or even good marketing and recruiting. The key is keeping an environment that attracts new jobs."

Governor Alexander's administration has focused on a few key areas at a time, and the approach has paid off.



Lamar Alexander Tennessee State Governor

The governor's successful selling of Better Schools made him a national leader in education reform. A \$3.3bn roads programme—funded by a tax on petrol enacted in an election year—is intended to give rural areas the links to interstate highways that they need to attract and keep jobs.

Can the Tennessee juggernaut survive his leaving office next

year? Polls give Governor Alexander still only 48, an unprecedented 75 per cent approval rating in his eighth year. The state's morals has rebounded following the removal of a previous Democratic administration plagued by patronage and bribery scandals. (Governor Alexander's predecessor, Mr Ray Blanton, eventually went to prison for selling liquor licences.)

Both contenders in what is likely to be a close election in November are publicly committed to economic development, but it is unclear whether either former Republican Governor Winfield Dunn or Mr Ned McWhorter, veteran Democratic speaker of the state House of Representatives, will prove quite as persuasive a salesman.

Mr McWhorter, especially, would be expected to take a more active role in directly promoting rural development.

Governor Alexander opposes such regional "targeting" and a weak state planning office's biggest responsibility at present is the Homecoming '86 programme.

Whoever wins, Tennessee may well see a shift away from the position where, as Vanderbilt economist Dr Timothy Bartik says, "he is the key to anything happening" if the Tennessee juggernaut survives his leaving office next

less interested in a subject, it has tended to be neglected.

"His success reflects the fact that he focuses on just a few issues," says Dr Bartik. "His failures reflect the fact that he focuses on just a few issues."

But the Alexander years have at least given Tennesseans a road-map to a more prosperous future, and won international acclaim for the successes so far.

"It's not where you are that's important," says Dr Gusschke at Memphis State. "It's the image you project about where you're going to be."

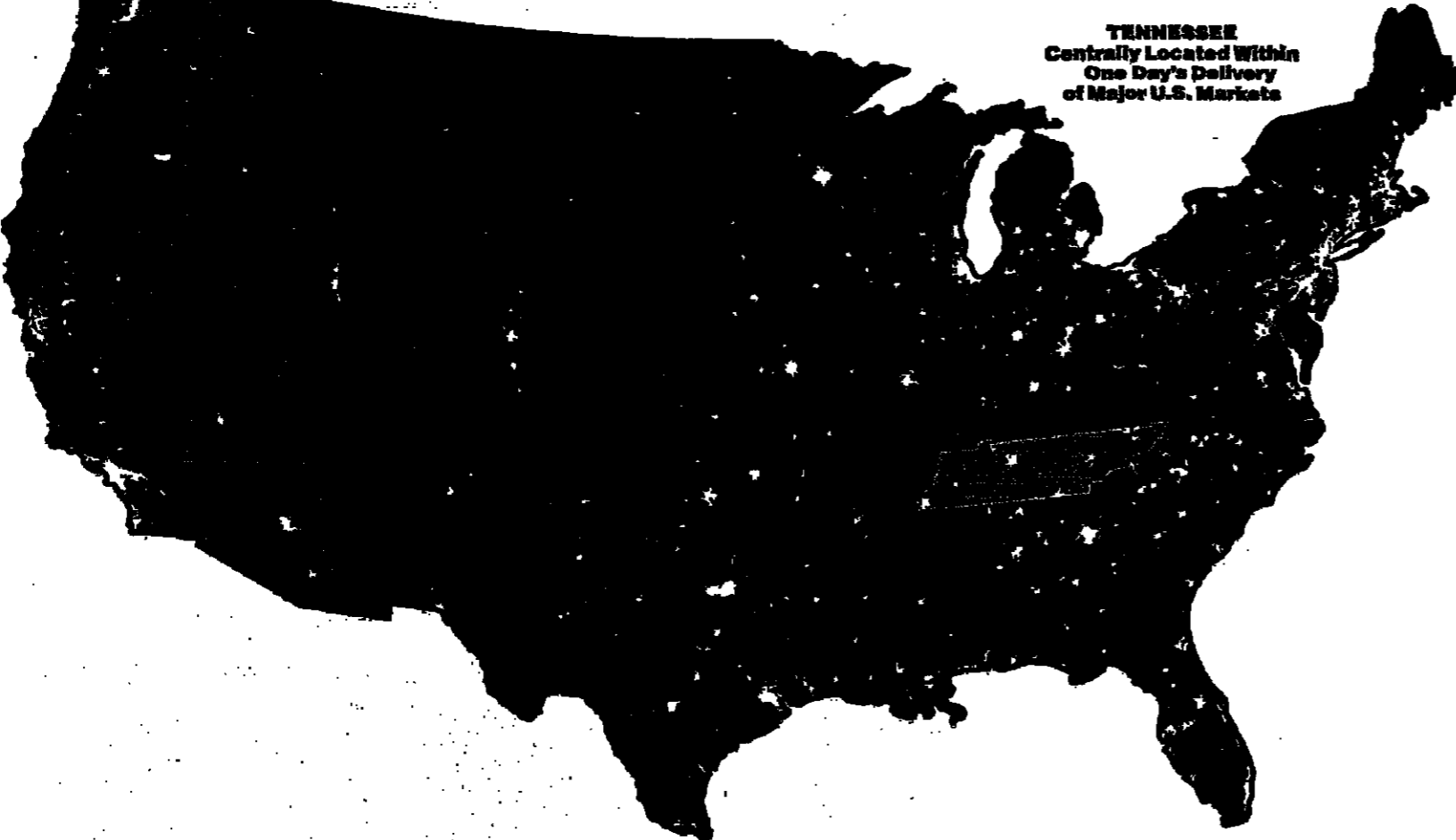
Tennessee, especially the Nashville area, may now express America's economic zeitgeist in the way that California has in recent decades, suggests Dr John Costanza, law school dean at Vanderbilt University in Nashville. It is the "focal point of the mixing chamber" of influences from north and south, east and west.

Entrepreneurial anticipation of new demands for services, modern manufacturing operations without the constraints of inflexible work rules, nostalgia expressed through country music, and a culture of "honest open-faced optimism" may combine to create a "unique and counter-cyclical" economy, he says.

Which indeed would qualify as tomorrow's jobs, yesterday's values.

BASIC STATISTICS	
Population (1984)	4,72m
Per capita income (1984)	\$10,419
Unemployment (July 1986)	8.5%
Largest cities (1985)	
Memphis	645,700
Nashville	452,232
Knoxville	172,288
Chattanooga	165,018
Capital	Nashville
Corporate excise (income) tax	6%
Franchise tax on capital property	0.25%
Personal income tax	None on wages and salaries
Sales tax (state and local)	6 1/2 to 7 1/2%

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And it's proving irresistible to European companies who seek an American location where they can be sure tomorrow's jobs will be done right.

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### YOU'LL LIKE OUR BOTTOM LINE.

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Any query addressed to Louis C. Lockhart, Economic & Community Development, 320 Sixth Ave. North, Suite 807A, Nashville, Tennessee 37219, will receive prompt attention. Or Telex 499-1829 ECD NAS.

Yesterday's values. Tomorrow's jobs.  
**Tennessee**

TENNESSEE 2

Industry

Gathering by the rivers

WHEN THE Tennessee Valley Authority (TVA) tamed the river, its dams brought cheap power to attract heavy industry...

by the end of the year. Only Alcoa, with its own pre-TVA hydro power to reduce average electricity cost, has bucked the trend.

The Tri-Cities (Kingsport, Johnson City, Bristol) are adding to their traditional strength in chemicals and printing. Electronics has contributed many of the new jobs in the region.



Elvis Presley's statue in Memphis. The music industry is an important part of the state's economy

The opening of the Tennessee-Tombigbee waterway brings the Gulf of Mexico up to 550 miles closer. The Cumberland, the state's third major river, swings in a smaller curve within the great arc of the Tennessee.

TVA was the magnet for electricity-intensive industry like aluminium smelters and other power-hungry plants...

Chattanooga, centre of the state's traditional metal-bashing industries and a strong chemicals and textiles base, added fewer jobs in 1979-85 than any other Tennessee city.

Memphis also has two home-grown world leaders. Holiday Corporation in hotels and Federal Express, the success in small-package delivery.

Wings) Aladdin (vacuum flasks) and Genesco (clothes and shoes). The biggest home-based retail chain is Service Merchandise.

Creek Mining and Manufacturing. To break even, Tennessee operators need a price for their medium-sulfur steam coal of \$26 f.o.b. a ton.

Motor Industry

Nation watches as Saturn rises

THE FUTURE of the US motor industry is riding on General Motors' Saturn project, according to Tennessee Governor Lamar Alexander.

petition around Nashville. Japan's Nissan has been making light trucks since 1985 and cars since March 1985 at Smyrna, 15 miles from Nashville.

less than 5 per cent of the region's employment. Nashville is already home to Peterbilt, manufacturer of heavy truck tractors, and a Ford glass plant.

The 75-acre Nissan plant has set the standard—crystallized down the gauntlet—for automated motor-vehicle production in the US.

At Saturn, the UAW is involved in decision-making at all levels. Eight out of 15 full-time Saturn employees in Tennessee are from the union.

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Mr Jerry Benefield, Nissan's vice president for manufacturing and a former senior GM manager himself, expects no significant effect at his plant from the proximity of a facility where the union has such a key role.



The Nissan plant near Smyrna is the largest foreign motor plant in the US and Nissan's biggest outside Japan

Economy

Work ethic runs deep

NEW AND expanding industry last year announced capital investment of \$4.59bn in Tennessee, a record total for a Southern state.

High unemployment is linked in most cases to poor transport links. Tennessee's central location for the eastern US market cannot benefit rural areas which lack easy access to the interstate highways that cross the state.

managers with experience in both north and south found that Tennessee employees—once trained—were harder-working, and more flexible and productive, than their northern counterparts, regardless of union membership.

By early last month, capital investments this year in new and expanded projects exceeded \$753m, 68 per cent ahead of the 1985 pace excluding Saturn.

Governor Lamar Alexander concedes that the decline of traditional industries has created a huge economic "tunnell" for those involved. But he says: "My focus is on the new jobs, not the old jobs."

But perception is as important as fact. Chattanooga, at one time considered a hotbed of union activity, had the state's lowest growth rate in 1979-85.

On closer inspection, Tennessee's economy begins to resemble a patchwork quilt. Some squares are new, others frayed and threadbare.

Tennessee is far more rural than the US average and yet has more than its share of manufacturing. Within this seeming contradiction lies an important characteristic of the economy: the traditional strength of low-wage rural manufacturing.

through propagation of tissue cultures. Other companies make image-enhancement equipment for medical and other uses.

Even the cowboy-boot factories are closing. Over the 10-year period, Tennessee added more than 340,000 non-agricultural jobs, a 21 per cent increase.

General Motors has agreed to give unemployed United Auto Workers members priority at its Saturn plant, Knoxville, for its part in claims to welcome Saturn's choice of Middle, rather than East, Tennessee.

Whether Saturn changes the labour climate in Tennessee remains to be seen. But the work ethic runs deeper than simple anti-union feeling.

Tennessee's banks are likely to be prey rather than predators as the trend continues to huge regional holding companies in the south-east US.

LEADING BANK HOLDING COMPANIES

The state's banks also suffered a blow to morale from the collapse in 1983 of banks associated with Mr Jake Butcher, a former Democratic candidate for governor now serving a 20-year sentence for bank fraud and income tax fraud.

Even Governor Lamar Alexander admitted that he had qualms: "This merger will either suck a lot of money out of Tennessee or it will put a lot of money in."

Memphis-based First Tennessee has been open about its goal. The state's second largest bank holding company, agreed to a \$775m takeover by Atlanta-based SunTrust Bank.

But some Nashville bankers suggest that the future may lie in links—even as a junior partner—with Prosperous Atlantic coast states like Virginia, North Carolina, Georgia and Florida.



## TECHNOLOGY

## A £200m drop in the ocean

Lucy Kellaway looks at the major problems caused by Ekofisk's sinking sea bed

IF YOU lived in a building that was sinking into the ground at the rate of half a metre a year, it probably would not take you very many months to work out that something was amiss. However, the hundreds of workers on the platforms in the Ekofisk field in the Norwegian sector of the North Sea failed to notice for nearly five years that the platforms that they were working on were gradually descending towards the waves.

The problem, which was first identified nearly two years ago, is not that the platforms are sinking into the sea bed, but that the sea bed itself is being pulled down into the earth. This has posed a major challenge for Phillips Petroleum, the operator of the field, and is set to cost the company dearly in lost production and money.

Ekofisk is not only one of the largest producing oil fields in Norway, due to go on yielding oil for at least 30 years to come, but it handles nearly all the gas from the other major Norwegian fields en route to European markets.

The subsidence cannot be simply ignored. North Sea platforms are designed to withstand the kind of freak wave that comes every 100 years or so, which in the case of Ekofisk is about 78 feet high. The platforms are built a few feet taller than the "design" wave, and if this gap is eliminated,

they can no longer be considered safe.

The sinking of the Ekofisk sea bed has occurred as the reservoir has become depleted. This has caused the chalk layers in which the oil is contained to compress, dragging down the sea bed with it. While compression is no new phenomenon, until the Ekofisk subsidence was discovered geologists did not think it could occur at such depths—the reservoir is 3 km below the surface of the earth.

The industry's imagination has been stretched by having to cope with the Ekofisk subsidence. Measuring the extent of the sinkage, attempting to make the platforms safe, and trying to tackle the cause of the problem itself, have all involved adapting known technology to new ends.

The subsidence was discovered almost by accident, when somebody noticed that more of the vertical holes punched in the base of one of the structures were visible in earlier photographs than in later ones. This alarming finding produced a serious measurement problem: how to gauge changes in water depth when the sea is constantly moving.

Phillips first tried wave radar systems, originally designed as an early flood warning device. This confirmed that subsidence had occurred, but did not give particularly accurate readings. It then tried underwater pres-

sure sensors, and later used satellites, which proved by far the most accurate method. Antennae were placed on several platforms in different parts of the field, which each picked up repeated signals from the satellite. The readings were then assessed, and compared to signals received at monthly intervals under exactly the same conditions.

The results show that not all the platforms are equally affected, but that the overall rate of subsidence is steady, notching up 40 to 45 cm a year in the worst areas. However, Phillips' geologists expect the movement to slow as the reservoir becomes depleted, and are now working on the assumption that the sinking will stop at 5.5 metres to 7 metres, of which half has already occurred.

At the beginning of last year it became apparent that urgent action was needed, first to make sure that the platforms were safe, and then to attempt to tackle the subsidence itself. The first thing to be done was to move equipment, shops and offices on the lower decks of the worst affected platform to other areas. A huge welding programme was then started to protect this platform against the force of the waves.

This involved streamlining the steel girders supporting the deck by adding a half section of piping to make the edges round rather than flat. Carrying out some £20m of welding work in

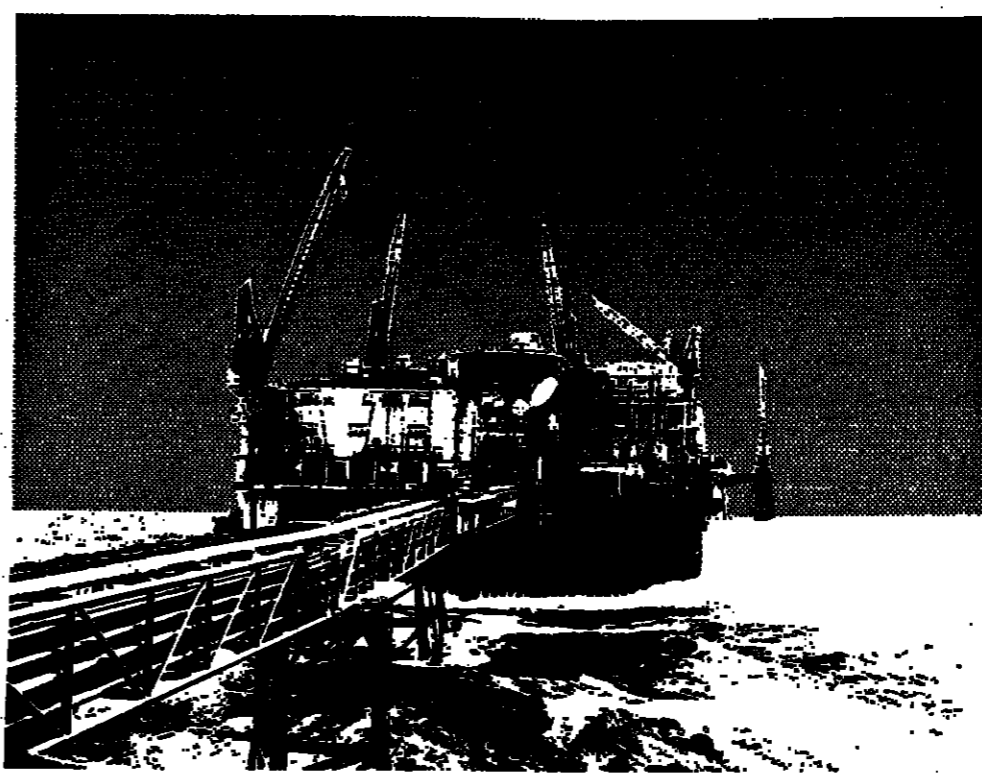
the sea was not easy. However, by doing so the horizontal force of the waves on the platform has been nearly cut in half.

Phillips had hoped that such measures would be enough to protect against the subsidence that had already occurred, whereas future problems could be averted by tackling the subsidence itself. Since last summer it has been injecting large volumes of gas into the reservoir, hoping to maintain the pressure and thus halt the sinking.

Before the problem emerged, gas was already being injected (as is normal practice) to boost recovery of oil from the field. However, this has been greatly increased so that 350m cubic feet of gas a day are now being injected into the reservoir.

Injecting gas is an expensive option. Although most of it can subsequently be recovered, the costs of delaying sales for up to 15 years can be quite high. In any case, the results of the project have been disappointing. The latest satellite tests have shown no indication that the subsidence is slowing, and Phillips has decided to abandon the scheme by the end of the year.

Another option is to inject nitrogen into the field. But the lightness of the nitrogen would cause a sharp increase in the amount of gas recovered, a prospect which at current low prices Phillips does not seem to welcome.



It was only when somebody noticed that more of the vertical holes in the base of Ekofisk's storage tank were visible in earlier photographs than later ones that the field's subsidence was discovered.

Having failed to stop the sinking itself, Phillips is now having to go ahead with a mighty project, which at first it hoped could be avoided: if the sea bed is going to end up some six metres lower than the platforms were designed for, then the legs of the platforms are going to have to be made some 6 metres longer.

In theory the task is simple. In fact it is monumental. The project will cost some £200m and involve about 250 people, many of whom will start work early next month in preparation for a lift which will not happen until next July. While the platform is actually being lifted, production of both Ekofisk, and all the fields using

its pipeline will have to be closed down, implying an enormous loss of revenue. Most of the work will be done in advance, but even so almost the entire Norwegian North Sea will close for a month while the work is being done. Then what would it do? Start ordering the jacks all over again, and prepare for another lift.

The good news is  
**FERRANTI**  
Selling technology

will be jacked up at the same time, Phillips is praying for good weather to allow the work to be done swiftly.

The company has commissioned Hydramyne, a specialist Dutch company, to supply it with 124 hydraulic jacks, each weighing up to 21 tonnes, and designed to lift weights of up to 700 tonnes, and strong enough to withstand a summer storm.

In December work will begin on installing the jacks on the vertical legs under the platform. Once the jacks are in place, the legs can be cut and devices fitted to support the leg extensions, so that once the platforms have been lifted, the leg extensions can be slotted quickly into place.

The only structure on the field that cannot be raised is the oil storage tank, which is not on legs that can be cut and lengthened. Instead ballast will be added to the tank and its deck strengthened in a project planned for 1988. Most engineers hope that by then its nightmare will be over. However, it cannot dismiss the possibility that the subsidence will not grind to a halt at six metres. Then what would it do? Start ordering the jacks all over again, and prepare for another lift.

## IBM sees CIM as the way forward for itself and others

BY GEOFFREY CHARLISH

IBM clearly intends to be a major player in the implementation of computer-integrated manufacturing (CIM) in Europe's factories.

In the last 18 months it has risen to the top of the computer-aided design and manufacturing (CAD/CAM) world sales league—and CAD/CAM is a major starting point for CIM implementation. The company is about to open a full scale computer-integrated manufacturing centre at Warwick in the UK, and has just published a comprehensive 80 page management guide to CIM. In addition it is funding a CIM Institute in Cranfield College and is making a major contribution to the UK Government-backed advanced manufacturing event (CIMAP) in Birmingham in December.

Speaking at the corporation's annual manufacturing conference in Bournemouth last week, Mr Tony Cleaver, chief executive of IBM UK, described CIM as the provider of "a clean sheet of paper" for industry. He sees it as a weapon with which the West can counter the low wages, low costs and favourable trading arrangements enjoyed by the new industrial economies of the East.

"For many manufacturers in the West the challenge is to begin before it is too late," he stated. "Such exhortations ('automate or liquidate' was another) are not unknown in computerised manufacturing circles. They are often part of the sales pitch to sell yet more computers.

The fact is, however, that IBM is taking its own medicine and has CIM working in a number of its own plants. And the technology was not implemented just because IBM is the world's biggest computer company and ought to find it easy to institute CIM. The decisions were taken because, like any other company, IBM needed to stay profitable in highly competitive markets.

A good example is the company's typewriter plant in Lexington, Kentucky. Suddenly in 1980 IBM found it had 20 or so competitors in the electronic typewriter market, whereas there were none in 1978. (There are 43 now). Costs therefore had to be improved.

"Communications ruled" says Dr David Ellman, automation consultant at Lexington. Today, a hierarchy of three mainframes and 200 minicomputers all "talk" to each other and control plant, area, local and machine control levels. Some 7.5 miles of conveyors connect up the work areas and 2,000 people make over 1m machines a year, whereas 7,300 were making 0.5m to 0.7m in 1980.

Dr Ellman revealed, however, that computerisation is only part of the story. Since IBM had a "clean sheet of paper" and a new building, it could implement other disciplines and ideas. To start, the product was designed for automation using CAD/CAM and the parts count in the machines reduced from 3,000 to 1,000. The number of adjustments needed came down from 121 to six.

Line operators almost disappeared. Some were retrained as programmers or maintenance men. Some became secretaries. But the time to make a typewriter came down from six to 1.25 hours and quality has become such that a repair is needed only once every three or four years in the field. The line people that

remained became more versatile, trained to do many different tasks.

On the engineering side, Ellman had found that 30 per cent of the parts were being changed each year, with flocks of engineers tracking the changes. There is now "much stronger" engineering change management.

The keys of keyboards are injection moulded in complete sets rather than one at a time, piston production is automated and motor production has been rationalised so that one is now made every 10 seconds. Ellman also discovered that 50 different kinds of "paper" reports were being made out, 75 per cent of which were never read. These too have become a thing of the past.

A sign of the change at IBM's Greenock plant in Scotland, where colour monitors are now being made more efficiently than in the company's Japanese colour monitor plant. Over \$50m has been invested at Greenock since 1978, and the monitors are made almost completely automatically, controlled by a hierarchy of communicating computers.

CIM also went into IBM's Havant, UK plant where computer disk stores are made. Each employee now generates eight times as much revenue as they did previously, output per shift is up 50 per cent and the manufacturing cycle time has been halved.

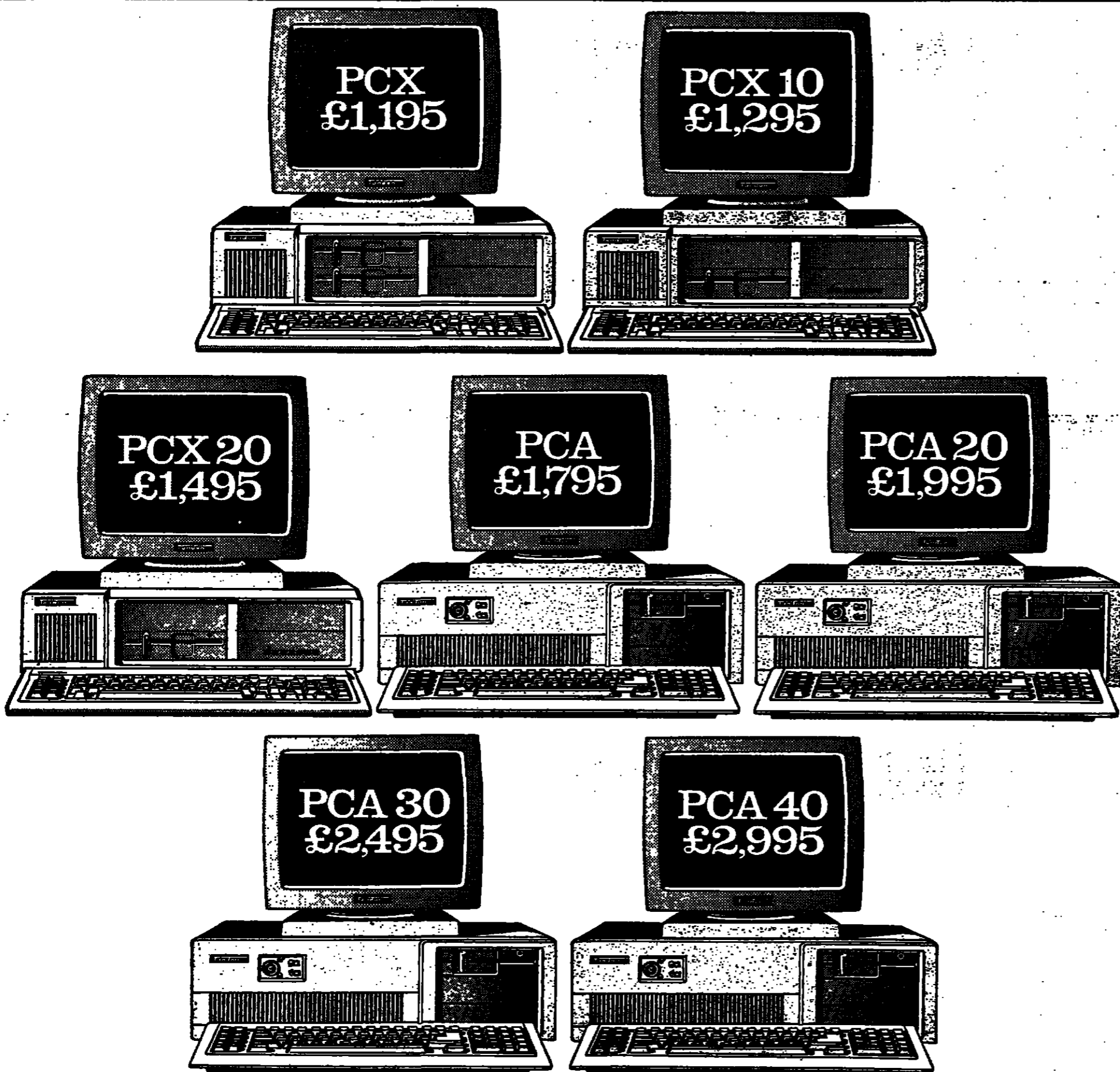
IBM plants are also now seeking to work with fewer, more computer-literate operators on a "just in time" supply basis. The idea is to obtain better quality components from a few suppliers with whom IBM will be in contact by standard, electronic methods (General Motors similarly has made its automation suppliers conform under MAP—manufacturing automation protocol.)

IBM and other speakers at Bournemouth were intent on emphasising that CIM must be seen as much more than just a collection of communicating computers and automation hardware. The implementation decision is for the board to take, not a manufacturing manager or director, because the decision will affect most, if not all aspects of a business.

For example, IBM, according to one executive, has recruited no shop floor staff for 12 years. Redeployment policies, associated with retraining will be needed by any company deploying CIM. The people in factories will need to be better educated. As Sir Henry Chilver, Vice-Chancellor of Cranfield Institute of Technology, put it: "I cannot contemplate a scenario in which large numbers of uneducated people can be employed."

But other links, currently sometimes tenuous, will need strengthening for CIM. Design and engineering has already come closer to manufacturing via computer-aided screen and keyboard systems and it will become mandatory to design products for CIM. Marketing, too, will have to enter the thoughts of manufacturing staff, because "time to market" is becoming a major consideration and will be improved by CIM.

As Sir Edwin Nixon, chairman of IBM UK writes in a guide: "I gives us the opportunity to line up on the successful industrial nations of the world. The advantages of our industrial rivals may not be quite so real as they seem."



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THE ARTS

Radio/B. A. Young

Olympian nights

If Nights of the Paris Olympia (Radio 2 or Sunday Afternoons) is to continue in chronological order, its charm for me is already done. The Olympia was conceived from a cinema to a music-hall in the fifties, and in the fifties the best tradition of the French chansonniers survived. We were not played anything by Jean Sablon or Charles Trenet on Sunday Afternoons. But we kicked off with Gilbert Bécaud, who has something of the same style; and we went on to the immortal Piaf, with a song about death, "Les Amants d'un jour." We had Les Compagnons de la Chanson (but not in "Les trois cloches").

But then there was Frankie Laine, and there was Petula Clark in her careful French, there were the Beatles, and, horror of horrors, there was Johnny Hallyday. I picked up again with Françoise Hardy, and a singer whose name I could not catch, with a song with a beautiful lyric, "Le Phée." Nowadays the French do what they can to compete with the American-British rock singers, and however well they do that they will never efface the characteristic delight of their own songs sung in their own manner. If, in the two remaining programmes, they could even do that, they would take back some, though not all, of what I am implying.

Radio 4 gave us a curious programme on Wednesday. Among its curious factors were its name, Dreamflower and the Tondelis Spell, the dramatic grandiloquence of the commentary, written by the producer, George Monbiot, and spoken by Tom Baker, and the unexpected inclusion of music, but none of them were as curious as its subject, the influence on Western culture of addiction to the fly agaric mushroom.

The Snow Queen/Covent Garden

On Saturday afternoon I found David Bintley's The Snow Queen transformed from a protracted fairy tale into a drama of re-imagery. The reason was the first appearance of Iain Webb as the hero, Kay, whose tragedy is told in the ballet's second and third acts. (The first act remains an interminable recitation of bits of Petrushka, Le Balser de la fête, and dubious folk-lore replete with tiny bells, rattles, and factitious much.)

With the second act, and the effective start of the story, Mr Webb and Sandra Madgwick, making her debut as Gerda, Kay's beloved, brought such freshness and integrity to the playing that the piece suddenly seemed to me serious, its narrative authentically touching.

That it was so is owed to Iain Webb's dramatic sensitivity and to the communicative clarity of his dancing. He sets Kay's identity as a happy lover with complete sincerity; Gerda and Kay are enchantingly in love. The faint cry of the Snow Queen's voice, and the appearance of her wolves, inspire in Mr Webb a transformation of Kay's character which gives the ballet a heart and a profundity I had not sensed before.

Whitechapel Gallery/William Packer

Master Schnabel's new clothes

The moral of the tale of the Emperor in his fine new clothes and the little boy who was not impressed is clear enough and might even seem to supply for the critic the first measure and example. But to act upon it is another matter, for it stands firm upon the certainty and simple courage of innocence; these are still virtues to lay upon anyone, but for the critic they are stiffer than most. Sooner or later, however, one's turn comes round: no age is immune from bad art, from mistaken inflated reputation, nor from work from which one can turn away only so many times. So here we go.

With a major review of his work since 1975 now at the Whitechapel (until October 26 closed Mondays; days on to Pauls and Düsseldorf), he has time to consider the curious case and wonderful success of Julian Schnabel of New York. He is now 33, but though he showed his work off and on from the time he was a student in Houston in the early 1970s, it was not really until some seven or eight years ago, when he had established himself in New York that his career prospered. Certainly he had the great good luck to find himself in the right place at the right time.

The New York art world, which we all know to be the soi-disant and natural focus of all that is original and creative and modern, had found to its horror that in painting, at least significant moves were afoot elsewhere, most especially in Europe with Germany and Italy in the lead. Expressionism was back and figurative, symbolic expressionism at that, and what else to do but seek desperately for the local product. In that seller's market the work only had to hit the wall to be sold on by the exhibition load; who was to say that the image had been mistaken for the substance, with so much at stake? With the painters still young, Schnabel has not been the only one to benefit from a market that sustains itself.

Even Schnabel's apologist, Thomas McEvilly in his catalogue introduction, feels obliged to address this issue,

glossing "the market's adulation of him and the critics' frequent hostility towards him" as "two manifestations of one fact: that Schnabel has been received as a champion of Modernism, which is dear to the market, and implicitly as a destroyer of Post-Modernism, which is dear to many critics."

Well, I am not so sure that those critics and curators, who have been made sure to include Schnabel in their major and even definitive exhibitions these past few years, have always found the market quite so inimical; nor do I accept altogether McEvilly's disingenuous suggestion that Modernism is just what happens to be all the go at a given moment. What worries me is that a painter such as Schnabel should be raised to the status of a Modern Master simply by the uncritical insistence of the market, through the price his work commands.

Schnabel himself has little doubt of his right to stand shoulder to shoulder with the Masters of this or any age. In an interview with Matthew Collings of Artscribe International he rounds upon an unnamed critic who "looked at my painting of St Francis and said that the image came from Bellini. In fact it came from a picture of an Ethiopian in National Geographic. The skull didn't even look like Bellini — it was better than Bellini, it was El Greco." One can hardly argue against confidence like that, but the fact remains that by every criterion of criticism, whether of form or content, Schnabel the painter has little to recommend him; it is only Schnabel the phenomenon and sport of our time that is of passing interest.

By habit the work large, too large. Even before it is touched by the brush, a large canvas — and some of these extend over more than 20 feet — is possessed of a naturally impressive presence. Images stated on such a scale with a modicum of flair or spirit may achieve an easy authority; it takes more than the common run of incompetence and ineptitude to diminish such an object and surface of all interest. Schnabel throws himself into it with commendable energy and persistence and manages the trick every time. The paint is uniformly dull, the surface dead, the imagery banal and poorly drawn, the whole characterized by pomposity and pretension and a total absence of wit. He evidently finds it hard to manage paint, yet his conceit is invulnerable, for he quotes repeatedly from great art — from Caravaggio for example in his Exile painting — with a handsomeness that would disgrace the student, and without a blush.



Detail from Schnabel's Exile (1980), described as oil and antlers on wood

But mere wishing or asserting will not make it so. Schnabel's wonderment does him credit, but it is what he makes of it that matters, not his explanation and self-justification. We must look at these things of his as they actually are, and behind the flanne that we find is no formal excitement in the fresh association of paint and china but only the crudeness of images crudely imposed. A hermaphroditic Christ on the Cross is only the most embarrassing of them, and more embarrassing for Schnabel than for us.

Brave Modern Art will always need its defenders both in principle and particular, and the more difficult and extreme it is, the greater will be the need. But the danger is that the indefensible slips through and we must always remember the little boy in the street as his Emperor walked by. Painters like Schnabel are the ones who put us to the test.



General view of the exhibition shows large scale of Schnabel's canvasses

Clement Crisp

a piercing simplicity that tell of dance acting of true merit. In small gestures as in the broad flow of his movement — big, space-clearing leaps — there is an inevitability and an emotional momentum to this reading which reveal an artist absolutely in command of the stage.

Hertfordshire Chamber Orchestra

Amateur groups are rare in the Elizabeth Hall. The Hertfordshire Chamber Orchestra consists of amateurs, though you might hardly guess it, and they are not by any means all keen youngsters. Some of the credit for their zestful unanimity must belong to their conductor Edmond Colomer, but there is a strong sense of uncommercial musicianship bubbling up everywhere (with out competitive star turns). On Sunday they began promisingly with a buoyant Figaro Overture, swift and bright, and then got down to providing a notably alert accompaniment for Christian Zacharias in Beethoven's Piano Concerto no. 4.

Ballet Rambert

The Ballet Rambert is to take all its new works presented in London during the autumn on tour during the autumn, together with the premiere of Duetful Ducks by Richard Alton and a revival of Christopher Bruce's Night with Waning Moon.

New presidents for Holst Singers

Composers Oliver Knussen and Colin Matthews are to succeed the Holst Singers' founding president, George Holst.

Eleventh Gdansk Film Festival

The image of Poland as a phoenix rising from its ashes could not be more true than it was this month at the eleventh Gdansk Festival of Polish Feature Films. Just a few years ago, in the aftermath of martial law, no one would have predicted that, amid the shelving of many politically critical films and the emigration of directorial talent, Polish cinema would recover with such dramatic swiftness.

Following the lines of a Romeo and Juliet tragedy of suicide (which fails like most of the film's other attempts to wrestle with his fate), the story has a rich texture and depth at nearly every turn and twist. Most intriguing of all is the blending of three forms of religious experience (Catholic, Protestant, Russian Orthodox, and Jewish) into the whole, as well as the sketching of cultural and national layers of life in the university city of Vilnius.

Ronald Holloway

Each day at the festival had its pleasant surprise. Witold Leszczyński's The Man with the Axe, based on an Edward Stachura novel, recounts in static, powerfully visual images the retreat of a student to a wintry wilderness to come to terms with himself in much the same manner as many Polish intellectuals tackle the problem today.

Another important film also came off the shelf at Gdansk, Jerzy Domaszewski's The Great Race, produced for Polish Television and released now via the "Perspektywa" film unit. Set in the postwar Poland of

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Arts Guide

September 19-25. TOKYO: Pina Bausch and Wuppertal Dance Theatre. PARIS: Opera Kumpu, Nankin. NETHERLANDS: Amsterdam, Muziektheater. NETHERLANDS: Muziektheater. VIENNA: Staatsoper. VIENNA: Staatsoper. VIENNA: Staatsoper. VIENNA: Staatsoper.

Scene from Wajda's A Chronicle of Amorous Accidents



Scene from Wajda's A Chronicle of Amorous Accidents

Eight venues for Dance Umbrella '86 in eight different venues: The ICA, Riverside Studios, The Place, the Whitechapel Gallery, the Bloomsbury Theatre, the Donmar Warehouse, the French Institute and Chisenhale Dance Space.



### Letters to the Editor

#### Overvalued currencies

From the treasury, Labour Economic Policy Group  
 Sir,—As a result of Bank intervention in the money markets to hold up interest rates the real exchange rates against the D-Mark in the third quarter of last year rose to 80 per cent above the figure agreed with the IMF in December 1978.

The dollar had likewise risen by 81 per cent since 1978 compared to the peak in early 1985 of 110 per cent.

At DM 2.93 and DM 1.98 sterling and the dollar are still overvalued in each case by at least 25 and 26 per cent.

Keynes noted in late 1981 that the US and France had set the world the problem of how to do without their goods. Japan and Germany have now done the same.

Britain solved the problem in 1981-83 by imposing tariffs of between 10 and 60 per cent, by letting the exchange rate fall 30-35 per cent, by setting up an Exchange Equalisation Account to hold down the rate, and by increasing the real money supply by no less than 18 per cent in the first half of 1983. The yield on Consols fell to 2.88 per cent and on Bank Bills to 0.59 per cent. Employment rose by 2.6m in four years. Manufacturing output rose by 58 per cent in six years.

We forgot this after the war. We stuck to the 1949 parity for 18 years, despite a Board of Trade study a year later showing that we were not competitive with Germany and that the Treasury recommendation in 1963 favouring a return to a managed rate.

Nothing has really changed. The 4m jobs which have been destroyed since 1974 can be attributed to the reduction of

nearly 30 per cent in the real money supply under the last Labour Government and the consequent increase of 40 per cent in the real exchange rate.

Under this Government, the real money supply has increased by 20 per cent, but it needs to go up by another 35-40 per cent to draw back into use the resources made idle since 1974 by lack of spending power. Transfers of spending power through taxation and/or borrowing will do little if anything to create additional jobs, whatever other purpose they may serve.

What is now required is a huge increase in private as well as in public spending on goods and services. This would have to be financed by the creation of credit in the form of a reduction in national insurance contributions and an increase in social security benefits. However, the rate of interest is a market-clearing mechanism and that a fixed rate of exchange could only impede our return to full employment at such a high and sustainable rate of growth. The huge imbalance in world trade is not going to be corrected until the dollar and sterling have fallen by at least another 20 per cent.

Shamus Stewart,  
 73, Albert St, NW1.

#### Wages council straitjacket

From Mr D. Byrne  
 Sir,—The recent meeting of the hotels and restaurant wages council shows the Government's Wages Act to be unworkable. It comes as no surprise, therefore, to learn that the Department of Employment is dragging its heels in endorsing the outcome.

The wages council found itself caught in the straitjacket of the Wages Act. It was prevented from setting legal minima to cover such basic items as holiday entitlements, differentials and unsocial hours. Faced with the prospect of hotel and catering becoming the only industry of its size that fails to set national standards covering such fundamental terms, the wages council decided to continue to make non-binding recommendations on these items.

The continuation of a role for wages councils in influencing a

#### Competition can be damaging

From the managing director, Sky-Net Public Relations  
 Sir,—I read "Mr Levens's plan to torpedo a monopoly" (September 17) with interest. Although the new procurement system is seen to help the Ministry of Defence save money on its purchases, the system of competitive tendering can in many cases produce too many producers of the same product in a limited market.

If three more manufacturers were to bid for the Spearfish contract it would mean three more manufacturers trying to sell their goods overseas in order to recoup their investment in plant and R & D.

We have seen times and times again examples of defence contractors being lost to the UK because of three British companies fighting over an order and losing to a French or US company. If

ONE NIGHT in May last year Professor Helmut Kieninger, an expert in the brewing of beer, committed suicide by slashing his wrists with a razor blade in a Munich police cell.

Prof. Kieninger was suspected of having supplied chemical preservatives to a number of small Bavarian breweries from a laboratory attached to Munich's prestigious Technical University.

Traces of the chemical, a disinfectant, were subsequently found in the product of more than a dozen breweries, unleashing a major scandal on an industry whose governing decree, first issued in the Middle Ages, states that beer can only contain malt, hops and water.

The discoveries could not have come at a worse time. In Leuzenbourg, at the European Court, German lawyers were fighting a challenge to the decree, the Reinheitsgebot. It is the country's oldest law and one of which most Germans, but especially the Bavarians, are fiercely proud.

The German argument is that Germans have to be protected against additives permissible in other countries because of the volumes they consume—an average European drinks 235 litres of beer a year, compared with a wedy 45 litres for the French.

The court made it clear last week, however, that it backs the foreigners. A final ruling against the decree, which will open the German market to foreign beers, is expected within a few months.

Does this call for a renewed campaign by West Germany's 1,200 breweries against foreign chemistries?

Many brewers are confident that on price and quality alone, they can beat the competition. But Mr Joachim Grote, director of the Bundesverband mittelständischer Privatbrauereien, which speaks for more than 800 medium-sized brewers, is more cautious.

"Over a period of decades, the consumer could get used to different types of beers that contain additional materials. And if it comes to the point where we accept the 'opening of the product then what we have will no longer be what we once had—a product free from scandal. We've seen that happen to wine."

Although German brewers and the umbrella organisations insist that they will continue to apply the Reinheitsgebot, it is difficult to see how it could be enforced once importers are exempt from it. The threat has to be made though because German beer has one great weakness—it does not keep. "It doesn't last because it is not



The pure beer battle comes to a head

By Peter Bruce and Lisa Wood

franchise in Germany or any other continental market, mainly because consumers prefer lager-type beverages and not the darker English beer.

Watney Mann & Truman, now the Grand Metropolitan subsidiary, made a foray into Germany in 1975, when it bought the Stern brewery. The aim was to develop nationwide brands, as the UK pattern. Stern was sold earlier this year with the ambition unfulfilled.

In some ways the traditional British pint is hard to sell in Germany for the same reasons that German beer attracts such a loyal domestic following.

Dry hopped, extracts of fish bladders, crushed shells of sea creatures, vitamin C and carbon dioxide are but a few of the additives thrown into varieties of English beer.

All are products, according to the Brewers Society, which comply with the most stringent legal standards in the world. "We cannot brew impure beer," says the society, indignantly at the German claims that the health of the German beer drinkers could be harmed by foreign brews.

Additives and alternatives to malted barley are used in the industry, says the society, to make a clear product which does not spoil—in a country where beer is transported over long distances—to overcome natural variations in water and to increase the efficiency of breweries.

The additives, brewers argue, give the customer what he wants, a case in point being the "Burton" characteristic, so-called after the gypsum-rich waters of the river Burton where some of Britain's most famous beers have been brewed for generations. So some brewers, not so fortunate as to be on the banks of the Burton, add a dollop of calcium sulphate (gypsum).

The carageenan (dried seaweed), isinglass (from swim bladders of fish) and kieselguhr (crushed shells of sea creatures) are needed, among other things, to achieve a "traditional" texture.

Perhaps the relative silence that followed last week's remarks in favour of importers at the European Court is a sign of growing confidence that the Burton touch will never make it on the Rhine. Or it could be something to do with the fact that the Oktoberfest began in Munich this week.

Bavarians like to deal with changes one at a time and alcohol-free beer is making its first appearance at the world's biggest annual quaff-in. This prospect was being met a few weeks ago by Bavarians with comments that, had they been translatable, would probably have been unprintable.

#### Good news, jitters and puzzles

From Mr G. S. Hatzioilidis and Mr G. R. Lewis  
 Sir,—The article by Samuel Brittan entitled "When even good news can be bad" (September 18) contains a number of puzzling allegations and conclusions. Mr Brittan alleges that "... there is very little evidence that the major stock markets have been overvalued in any absolute sense." He asserts that "the adjoining chart, originally prepared by Harris Bank, shows that US equities have been rising faster than share prices, whether the comparison is the last five or the last 20 years." He then states "the evidence of 'equity profits'." It does include a series that purports to be the level of earnings per share for the S and P Composite. If earnings per share of S and P Composite have indeed been growing faster than the S and P Composite stock price, one would expect the historic price/earnings ratio to have declined. This has not been the case, at least not since 1978.

Mr Brittan also asserts GNP deflators are "... the best guide to domestic demand." The deflation in the industrial countries and are much less distorted by once-and-for-all import price movements. The deflation in the German GNP deflator caused by the sharp drop in import prices have been widely reported, including comments by



your own Lex column. Put simply, in so far as lower import prices are not passed on through lower final goods prices, it will be reflected in greater profits and/or labour costs. The latter are directly reflected in the GNP deflator but not in the consumer price index. Lower final prices can thus paradoxically appear "inflationary" if the GNP deflator is used as an indicator of inflation.

We would agree with Mr Brittan that there is more to US grumbles than the J-curve effect. The volume of US exports is still declining while US import volume has continued to rise at a rapid rate despite the decline in the dollar. This suggests the problem may be that domestic demand in the US is growing too fast relative to the demand of the rest of the world. One solution is for US domestic demand growth to slow down. Another would be for demand in the rest of the world to grow faster in view of the fragile state of the US economy, the latter seems a safer alternative. Either way, we fail to see why excessively cautious demand management in West Germany and Japan "... has almost nothing to do with US trade anxieties."

G. S. Hatzioilidis and G. R. Lewis,  
 BA Investment Management International,  
 1 Watling Street, EC4

#### Smoking: verdict 'not proven'

From the Scottish representative, Forest  
 Sir,—I am pleased to see that the President of the Royal College of Physicians now (Sept 12) admits that the death of 100,000 premature deaths due to smoking is an "assumption." I hope that all those in the anti-smoking lobby who regularly repeat that claim as if it were a fact will take note. I am less pleased to see that he still sticks to the claim that smoking-related deaths are "premature." The statistics which he does not appear to contest indicate that deaths from smoking-related diseases are not occurring significantly earlier than are deaths from some forms of fatal illness among the rest of the population.

Most disappointing, however, is his adherence to the view that the existence of a statistical link between smoking and some forms of fatal illness proves that smoking is the cause of those diseases and that no further research is needed. Surely the fact that most smokers do not die of so-called

#### Europe's technological future

From Dr I. Mackintosh  
 Sir,—What a pity that Dr Lambert (September 16) has chosen to criticise my book Sunrise Europe, without apparently reading it. But since non-readers of my magnum opus still outnumber (temporarily, I trust) the informed minority who have taken the trouble to absorb its messages, perhaps I should try to put him straight.

The question of Europe's high-tech renaissance strategy is immensely important and dauntingly complex. Europe is perceptibly fading into insignificance in the single most important industrial sector of the 21st century. None of the nostrums tried so far has had any discernible effect in reversing the decline. Dr Lambert's per nostrum, the Eureka programme, is neither large enough nor sufficiently focused on demand (plus to be anything more than a small step in the right direction).

Indeed, such is the complexity of the problem that it

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#### Tender years of TSB applicants

From Mr H. F. Bear  
 Sir,—The machinations of the City never cease to bewilder me; a sure sign, perhaps, that I am getting old and feeble. I have always understood that applicants for shares, through new issues, had to be over 18 years of age merely to qualify as a party to an enforceable contract, as opposed to a voidable one.

The TSB's advisers have seen fit to set the age limit for public applications from youngsters (other than those through parents) at 16.

What recourse has the TSB against juveniles of 16 and 17 whose cheques are dishonoured, stopped or returned because of lack of funds—overdrafts not being permitted—yet who submit multiple applications? Can such youngsters be held to the declaration on their application forms? If so, is the normal "over 18" stipulation just another of the outmoded relics of bygone times, which still beset new issues?

Henry Bear,  
 71, Tottenham Crescent, Pettit Wood, Orpington, Kent.

#### Britain's contemporary image abroad: poor and mean

From Mr D. MacShane  
 Sir,—John Redwood, the former head of Mr Thatcher's Think Tank, serious (September 17) when he says London Airport and the underground are now more cheerful places to visit? The last time I used Terminal 4 I tried to get an intelligent magazine and a serious book to read on a long flight. Impossible. The magazines were either the American news weeklies or about the Royal Family, the Financial Times was sold out and all the paperbacks were by Jeffrey Archer.

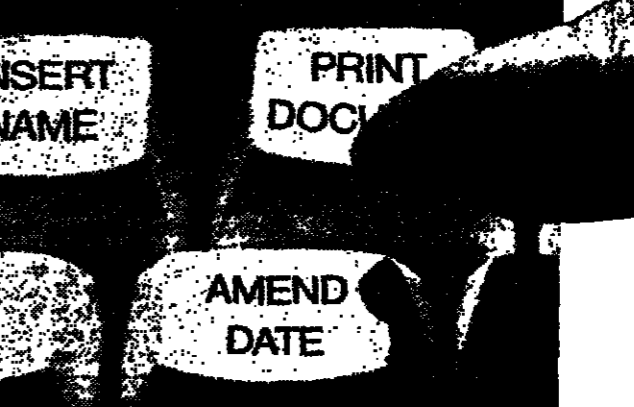
As to the tube: The few pretty titles that have been put up I would swap any day for escalators that worked, corridors that

lived in that concrete grille. I noticed not the rust but the superior public transport, phone system and services.

Some of us cannot afford to fly British Airways. I do, however, regularly drive to Crewe (bus service from Market Drayton for passengers) to meet trains which are 30 minutes to two hours late. But then Mrs Thatcher does not like the railways so they are not being made ready for privatisation.

Any bets on a privatised bus service from Market Drayton to Crewe?

Sheila Halsall,  
 84, Longstone Road, Market Drayton, Shropshire.





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SECTION II - COMPANIES AND MARKETS  
**FINANCIAL TIMES**

Tuesday September 23 1986

**King & Co**  
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**National Distillers plans shift into chemicals**

By ANATOLE KALETSKY IN NEW YORK

NATIONAL Distillers, the large US manufacturer of organic chemicals and alcoholic beverages, is putting its wine and spirits business up for sale and buying the chemicals division of Enron Corporation, the Houston-based natural gas pipeline company, in a transaction worth \$900m.

National Distillers is at present among the top six spirits producers in the US, with brands including Windsor Supreme whiskey, Old Grand-Dad bourbon, Gilbey's gin and vodka and De Kuyper schnapps. Although its spirits business, which accounted for 30 per cent of the group's \$2.3bn turnover in 1985 has performed well in recent years, National Distillers has been focused increasingly on petrochemical and energy marketing operations.

Analysts had been speculating for some time that the company might be tempted to dispose of its interests in spirits after the high price commanded by Hiram Walker's brand names in its recent deal with Allied-Lyons, the UK foods and drinks group. Based on the earnings multiples in the Hiram Walker deal, National Distillers' spirits operations could fetch \$450m to \$500m, according to a recent study by Mabon Nugent, a US securities house. Meanwhile, the acquisition of Enron Chemical, which produces petrochemicals and ethylene feedstocks, will strengthen National's position as the second largest producer of polyethylene, vinyl acetate and ethyl alcohol in the US.

**General Mills growth continues**

By Our Financial Staff

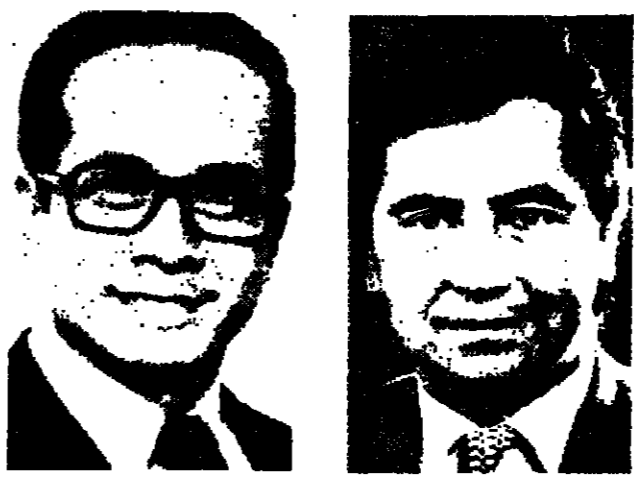
GENERAL MILLS, the US packaged foods, restaurants and specialty retailing group, has extended its recent strong earnings performance by lifting first-quarter profits from \$48.9m or \$1.10 a share to \$50.1m or \$1.22, and is lifting its quarterly dividend from 58 cents a share to 64 cents.

On a continuing basis, profits rose from \$48.1m or \$1.08 a share to \$50.3m or \$1.24, while sales rose from \$1.05bn to \$1.19bn. For its last fiscal year ended May 25, the company reported net profits of \$183.5m or \$4.11 a share.

Mr Bruce Atwater, chairman, told the annual meeting in Minneapolis yesterday that each of the company's three industry areas recorded strong gains in the first quarter, with operating profits up 23 per cent to \$133m.

David Goodhart in London looks at a Hong Kong group's growing appetite  
**Hutchison may lift Pearson stake**

HUTCHISON Whampoa, the Hong Kong trading company which at the weekend revealed a 4.99 per cent stake in Pearson, the UK industrial, banking and publishing group, yesterday said it wanted to discuss "ways to increase this investment substantially which would lead to the creation of commercial links between the two groups."



Mr Li Ka-shing, chairman of Hutchison Whampoa, the Hong Kong trading company and Lord Blakenham, chairman of Pearson, the UK industrial, banking and publishing group.

In Hutchison's first official statement since news leaked out of its private talks with Pearson, publisher of the Financial Times, the company also stated: "At this time it is not intended that the Hutchison Group will make a takeover bid for control of Pearson."

It continued: "However, this current holding represents an attractive investment for the Hutchison Group and places it in a flexible position which will be kept under active review."

Expanding on Hutchison's stated intention to increase its stake in the Pearson holding company, Mr Philip Tose, of Hutchison's merchant bank Citicorp, said it would probably be looking for a percentage holding "in the twenties". Under UK Take-over Panel rules a stake over 29.9 per cent has to trigger a full bid.

"There is no intention that the Hutchison Group will issue shares to Pearson."

However, both Hutchison and Pearson have said that following the talks on September 12 initiated by Hutchison, between Mr Simon Murray, managing director of Hutchison, and Lord Blakenham,

He added that Pearson was "well-run, broadly based, and undervalued", and there was considerable common ground between the two groups. He pointed to Pearson's desire to expand in Asia and Hutchison's to grow in the UK or US and the shared interest in magazine and newspaper publishing and film and television.

Mr Tose also repeated that Hutchison was interested in Lazard's merchant bank (part-owned by Pearson), Pearson's property interests and its oil division. "Almost wherever you look there is a possibility of linkage," he said.

Mr Murray said the form of linkage could take several forms: acquiring individual Pearson businesses for cash, swapping businesses or holdings, or developing joint ventures on the basis of a sizeable minority stake in Pearson. A contested bid for Pearson would face the obstacle of a Cowdray family holding of about 20 per cent. Coincidentally there is a family link between Hutchison and Pearson. Lord Derwent, Hutchison's European managing director, is related to Mr Alan Here, former chairman of the Financial Times, who is Lord Blakenham's father-in-law. Pearson rose 12p yesterday to close at 522p.

Background, Page 29

**HBO & Co rejects \$326m bid**

By WILLIAM HALL IN NEW YORK

HBO & CO, the small Atlanta-based computer company which specialises in supplying hospitals, has rejected a \$326m bid from a group of investors from the state of Virginia.

The company's response followed an approach by the Andover group to take the company private in a \$15 a share deal in which the company's management would play an active role. HBO, which lost \$5.5m on sales of \$78.2m in the first half of 1986, said yesterday that it had "no interest in engaging in any discussions with members of the Andover partnership with respect to the matters contained in the letter."

HBO said the Andover's proposed financial transactions contemplated at least \$300m in new debt but did not constitute an offer to purchase the company. HBO shares rose by 1/4 to 12 1/4 in early trading yesterday.

**Write-offs at French steel groups**

By DAVID HOUSEGO IN PARIS

USINOR AND Sacilor, the French state-owned steel groups are to write off accumulated losses under a capital restructuring plan financed by the French Government.

The aim of the operation, required by French law and approved by the EEC Commission, will be to leave the two groups with capital and reserves sufficient to cover anticipated losses and restructuring costs up to the end of this year.

The plans announced by the two groups provide for converting low interest loans advanced by the state into equity, writing off the capital, issuing new shares that the state has guaranteed to buy and writing down the capital a second time. The initial write-off will involve losses for private shareholders who own 20 per cent of Usinor's stock and 9 per cent of Sacilor's.

**Kimberly sues Procter over diaper 'monopoly'**

By OUR NEW YORK STAFF

THE BATTLE for control of the \$2.5bn a year US disposable diaper market intensified yesterday when Kimberly-Clark, the number two supplier of US baby bottomware, accused its arch rival, Procter & Gamble of trying to monopolise the market.

The Dallas-based Kimberly-Clark announced that it was suing Procter & Gamble for "unlawfully monopolising the market for disposable diapers and other violations of US antitrust laws." Its antitrust

G, whose two main versions of diapers - Luvs and Pampers - together have over 50 per cent of the US market.

While the dispute might sound rather childish, both companies have a lot to lose in their legal battles surrounding the US diaper market. P & G, one of the most glamorous consumer product stocks on Wall Street, has been under a cloud over the last couple of years because many of its products are facing extremely tough competition. The growth of its diaper business has accounted for much of the company's earnings gains since 1982, according to analysts.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

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New Issue

September, 1986

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

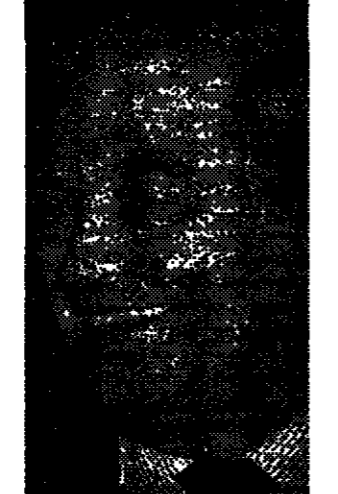
Andrew Fisher looks at recent changes in the Frankfurt bond market: German houses hold their own

THE GERMANS prefer to seek the safe ground rather than go for gimmickry. So commented a Frankfurt banker candidly about the rash of innovations on the capital market since the Bundesbank last year swept away the hindrance to foreign banks' lead-managing D-Mark Eurobond issues.

Attractive for them and their clients. Although competition for mandates is fierce, the German banks and the foreign newcomers are learning to live with each other. "The Swiss houses have achieved a lot," said another German banker. But it is clear that the liberalising measures of the Bundesbank have made life rather less comfortable for Germany's banks, headed by Deutsche, Dresdner and Commerzbank.

would certainly help the secondary market. So, too, would a decision by the Bundesbank to change the system under which public loans are offered. At present, banks in the consortium—19 foreign banks now have a 20 per cent share of new Government and Government-guaranteed loans—can forfeit part of their commission if the investors with whom they place the loans sell them on and they find their way back to the Bundesbank.

solid abroad anyway as investors are keen to move into the ever-strengthening German currency. Another source of discontent at some banks, and again in an area in which the Bundesbank seems unlikely to make any changes, is the minimum reserve quotas. In May this year, the requirements governing the sums that banks have to deposit interest-free with the Bundesbank were relaxed. But the issue of certificates of deposits (CDs) has been inhibited by the effect of the quotas on short-term money instruments.



Mr. Karl Otto Foehl, president of the Bundesbank

Still niggling apart, the influx of foreign banks is not going to be lessened for some time. Already since the opening up of the market to foreign banks last year, they have led around 20 per cent of the volume of new D-Mark loans. As for the Japanese, active in the market but not allowed to take the leadership in new issues, they could become a major competitor in the future. They were left out of last year's liberalisation move, though they are in the Government loan issuing consortium, because foreign banks in Japan are restricted from operating in the securities business.

Sterling CP for BTR and Sears Holdings

By Peter Montagna, Euromarkets Correspondent
BTR, the British Industrial Holding Company, and Sears Holdings, the British retail group, each announced \$100m programmes in the sterling commercial paper market yesterday in a fresh flurry of activity after the summer lull.

Issue dearth continues in Eurodollar sector

THE VOLATILITY of the foreign exchange markets, following the weekend meeting of European finance ministers, meant another quiet day for the primary Eurodollar market yesterday.

INTERNATIONAL BONDS

With US Treasury auctions due this week, the atmosphere in the Eurodollar market remains extremely gloomy on inflationary and currency fears, with interest from retail investors almost completely absent.

Foreign bond trading doubles in Tokyo

TRADING IN foreign currency-denominated bonds in Tokyo has more than doubled in the past year to an estimated daily volume of \$4bn to \$5bn, Kyodo reports from Tokyo.

Japanese institutional investors, such as insurance companies, pension funds and mutual funds, are attracted to US issues which carry higher yields than domestic investments.

Air India chairman

A REPORT in yesterday's Financial Times on new executive appointments at India's two nationalised airline groups inadvertently stated that Mr Rahul Bajaj had been appointed chairman of Air India.

Montreal SE seeks UK companies

BY ROBERT GIBBENS IN MONTREAL
MR ANDRE SAUMIER, the president of the Montreal Stock Exchange, is visiting London this week to encourage British-based companies to take an interest in the exchange's new international division.

around C\$400m of business in North America a year. Next came Latvima, a Geneva-based investment management group. The exchange offers listings on its international division, with acceptance of home-country disclosure rules, to European-based companies wanting to be better known in North America and seeking new sources of finance.

Initial listing costs C\$20,000 and C\$3,500 a year thereafter. Trading is done through a book-based computerised system without physical exchange of stock certificates. The exchange is connected electronically with other North American trading systems, and offers an alternative to the cumbersome American depository receipts.

Tightest terms yet on deal for Hungary

By Our Euromarkets Correspondent
HUNGARY has shaved the conditions on its Eurodollar bonds further with the launch of a \$100m, eight-year credit package through four Japanese banks.

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for issue, amount, maturity, yield, and price. Includes sub-sections for US DOLLAR and OTHER STRATEGIES.

STC plans £200m credit facility

By Our Euromarkets Correspondent
STC, the UK telecommunications and computer concerns, is expected to launch a £200m credit facility in the international capital markets under the lead of Barclays Bank.

EUTELSAT European Telecommunications Satellite Organization. ECU 200,000,000 Multiple Option Facility. Arranged by S.G. Warburg & Co. Ltd. Lists member banks and participants.

Bonn to sell 45% of IVG

THE WEST GERMAN Government's plans to privatise Industrieverwaltungsgesellschaft (IVG) will involve the offer of 45 per cent of the property and transport group from October 6. The government will hold a majority ownership of IVG.

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<p><b>American Honda Finance Corporation</b> Commercial Paper Program May, 1986 A wholly owned subsidiary of American Honda Motor Co., Inc.</p>	<p><b>American Medical International, Inc.</b> Commercial Paper Program February, 1986</p>	<p><b>American Petrofina, Incorporated</b> Commercial Paper Program March, 1986</p>	<p><b>Atlantic Richfield Company</b> Second Series Medium-Term Notes \$800,000,000 Due from More Than 9 Months to Less Than 48 Months from Date of Issue New Issue/September, 1985</p>	<p><b>Atlantic Richfield Company</b> First Series Medium-Term Notes \$200,000,000 Due from More Than 9 Months to Less Than 48 Months from Date of Issue New Issue/August, 1985</p>	<p><b>Australia &amp; New Zealand Banking Group, Ltd.</b> Sub Prime Based Floating Rate Certificate of Deposit \$100,000,000 Due January 23, 1989 January, 1986</p>	<p><b>Avco Financial Services, Inc.</b> Medium-Term Notes, Series A \$100,000,000 Due from More Than 9 Months to 10 Years from Date of Issue New Issue/May, 1986</p>
<p><b>BNL U.S. Corporation</b> Commercial Paper Program May, 1986 Banca Nazionale del Lavoro</p>	<p><b>BP Capital p.l.c.</b> Commercial Paper Program July, 1986 The British Petroleum Company p.l.c.</p>	<p><b>BP North America, Inc.</b> Commercial Paper Program April, 1986 The British Petroleum Company p.l.c.</p>	<p><b>The Bank of Tokyo, Ltd.</b> LIBOR-Based Floating Rate Certificate of Deposit \$100,000,000 Due November 2, 1987 April, 1986 (New York Branch)</p>	<p><b>Beverly Enterprises</b> Commercial Paper Program May, 1986</p>	<p><b>Boise Cascade Corporation</b> Commercial Paper Program May, 1986</p>	<p><b>Brunswick Corporation</b> Short-Term Note Program January, 1986</p>
<p><b>Burlington Northern Inc.</b> Commercial Paper Program January, 1986</p>	<p><b>C.I.T. Group Holdings, Inc.</b> Medium-Term Notes \$185,000,000 Due from More Than 9 Months to 10 Years from Date of Issue New Issue/March, 1986</p>	<p><b>CPC Capital Inc.</b> Commercial Paper Program June, 1986 CPC International Inc.</p>	<p><b>Chrysler Capital Corporation</b> Commercial Paper Program January, 1986 Chrysler Financial Corporation</p>	<p><b>Chrysler</b> Medium-Term Notes \$500,000,000 Due from More Than 9 Months to 10 Years from Date of Issue July, 1986</p>	<p><b>Chubb Capital Corporation</b> Commercial Paper Program July, 1986 The Chubb Corporation</p>	<p><b>The Clorox Company</b> Commercial Paper Program March, 1986</p>
<p><b>Coca-Cola Bottling Co. Consolidated</b> Commercial Paper Program October, 1985 \$75,000,000</p>	<p><b>Commercial Credit Company</b> Commercial Paper Program July, 1986</p>	<p><b>Dai-ichi Kangyo Bank, Ltd.</b> LIBOR-Based Floating Rate Certificate of Deposit \$100,000,000 September, 1985 (New York Branch)</p>	<p><b>Deutsche Bank Financial Inc.</b> Commercial Paper Program September, 1985 Deutsche Bank AG</p>	<p><b>The Dow Chemical Company</b> Short-Term Note Program January, 1986</p>	<p><b>Eastman Kodak Credit Corporation</b> Commercial Paper Program August, 1985</p>	<p><b>Envirodyne Industries, Inc.</b> Commercial Paper Program June, 1986</p>
<p><b>Expoc Development Corporation</b> Medium-Term Notes \$150,000,000 Due from 9 Months to 10 Years from Date of Issue New Issue/May, 1986</p>	<p><b>First Bank of New York</b> CD-Based Floating Rate Certificate of Deposit \$100,000,000 Due January 26, 1989 April, 1986</p>	<p><b>Fleet Financial Group, Inc.</b> Medium-Term Notes \$325,000,000 Due from Nine Months to Fifteen Years from Date of Issue New Issue/May, 1986</p>	<p><b>General Motors Acceptance Corporation</b> Medium-Term Notes \$500,000,000 Due from More Than 9 Months from Date of Issue January, 1986</p>	<p><b>General Motors Acceptance Corporation</b> Medium-Term Notes \$2,000,000,000 Due from More Than 9 Months from Date of Issue July, 1986</p>	<p><b>General Signal Corporation</b> Commercial Paper Program September, 1985</p>	<p><b>Hawaiian Electric Industries, Inc.</b> Commercial Paper Program May, 1986</p>
<p><b>Hokkaido Takushoku Bank, Ltd.</b> Federal Funds-Based Floating Rate Certificate of Deposit \$100,000,000 Due April 3, 1989 March, 1986 (New York Branch)</p>	<p><b>Intel Corporation</b> Commercial Paper Program July, 1986</p>	<p><b>International Bank for Reconstruction and Development</b> Medium-Term Notes \$100,000,000 Due from Nine Months to Ten Years from Date of Issue New Issue/May, 1986</p>	<p><b>International Bank for Reconstruction and Development</b> Long-Term Secured Securities \$500,000,000 April, 1986</p>	<p><b>Johnson Controls, Inc.</b> Short-Term Note Program May, 1986</p>	<p><b>KLM Royal Dutch Airlines</b> Commercial Paper Program June, 1986</p>	<p><b>Kansallis North America, Inc.</b> Commercial Paper Program May, 1986 Kansallis-Osake-Pankki</p>
<p><b>The Kendall Company</b> Commercial Paper Program June, 1986 Colgate-Palmolive Company</p>	<p><b>Kingdom of Sweden</b> Sovereign Note Program September, 1985</p>	<p><b>Lucky-Goldstar International (America), Inc.</b> Commercial Paper Program April, 1986 Supported by letters of credit issued by Chemical Bank</p>	<p><b>M/A-COM, Inc.</b> Commercial Paper Program May, 1986</p>	<p><b>MCA</b> Commercial Paper Program New Issue/August, 1985 \$250,000,000 MCA INC.</p>	<p><b>MCA</b> Commercial Paper Program March, 1986 MCA INC.</p>	<p><b>Mead Corporation</b> Commercial Paper Program October, 1985</p>
<p><b>Mitsubishi Bank, Ltd.</b> LIBOR-Based Floating Rate Certificate of Deposit \$100,000,000 September, 1985 (New York Branch)</p>	<p><b>The Mitsui Bank, Ltd.</b> LOFS (Lower of Floating Securities) \$100,000,000 Due August 8, 1991 June, 1986 (New York Branch)</p>	<p><b>THE MITSUBI BANK OF CANADA</b> Certificate of Deposit Program January, 1986 THE MITSUBI BANK LTD. (New York Branch)</p>	<p><b>Mobil Oil Exploration &amp; Producing Southeast Inc.</b> Short-Term Note Program October, 1985 Unconditionally Guaranteed by Mobil Oil Corporation</p>	<p><b>Nalco Chemical Company</b> Commercial Paper Program June, 1986</p>	<p><b>N.V. Nederlandse Gasunie</b> Commercial Paper Program September, 1985</p>	<p><b>NORANDA</b> Commercial Paper Program New Issue/August, 1985</p>
<p><b>Niagara Mohawk Power Corporation</b> Commercial Paper Program September, 1985</p>	<p><b>Northwestern Bell Telephone Company</b> Commercial Paper Program July, 1986</p>	<p><b>Occidental Petroleum Corporation</b> Commercial Paper Program December, 1985</p>	<p><b>PSFS</b> LIBOR-Based Floating Rate Certificate of Deposit \$100,000,000 Due October 2, 1987 April, 1986</p>	<p><b>Panasonic Finance, Inc.</b> Commercial Paper Program September, 1985 Matsushita Electric Industrial Co., Ltd. and Matsushita Electric Corporation of America</p>	<p><b>Peabody Holding Company, Inc.</b> Commercial Paper Program May, 1986</p>	<p><b>Pearson Inc.</b> Commercial Paper Program May, 1986 Pearson plc</p>
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INTL. COMPANIES and FINANCE

Kenneth Gooding on the recent flood of interest in the German car group  
**BMW suitors shown the door**

BMW was visited by three big companies in one week recently. Each hoped to put the West German luxury car group on their shopping list.

"They were queuing up to buy us. It was no joke," says Mr Eberhard von Kuenheim, chairman of BMW, about the recent flood of interest.

While Mr von Kuenheim will not name the interested parties, it is widely believed that Chrysler, third largest of the US automotive groups, which is seeking a way back into the West European motor industry, made the most serious inquiries. Chrysler is rumoured to have offered three times BMW's stock market value, currently about DM 9bn (\$4.5bn).

That appears to be within sight of what the BMW management think their company is worth.

Mr von Kuenheim suggests that one of the major obstacles for any group wanting to acquire BMW is that "the price would be high. BMW is worth two or three times the stock market value."

This is because the profit and loss account by no means reveals all. BMW does not consolidate world-wide results, not even those from the US, its best export market where last year it sold 88,000 cars.

Mr von Kuenheim says that BMW has absolutely no intention of producing a consolidated balance sheet until forced to do so by European Community regulations which come into effect in 1988.

The second major obstacle any potential predator will have to overcome, the chairman points out, is that the Quandt family, heirs to Herbert Quandt, the industrialist who took control of BMW in 1959 and died in 1982, must first be persuaded to give up their shares, amounting to some 60 per cent of the issued capital.

"And what better home could they find for their money?", he asks. BMW pays annual dividends giving shareholders a return of 7 to 8 per cent, among the best in the motor industry, while shareholders' funds are rising steadily.

Mr Stephen Reitman, automotive analyst at Laing and Crutchbank, the London stockbrokers, suggests it would not have been difficult for the Quandt family to turn down the Chrysler proposal. "They would be exchanging stock in one car company which they know well for stock in another which they do not know at all—and face a major tax charge."

Even if the Quandts decided to sell—which admittedly seems unlikely because the family took up all its shares in the recent DM 555m, one-for-four rights issue—Mr von Kuenheim believes the West German Cartel Office would step in to prevent any other automotive group buying BMW.

He suggests that, not only would those companies already producing cars in West Germany (Volkswagen-Audi, Daimler-Benz, General Motors and Ford) be "blocked" by the

but net income slipped by 9 per cent to DM 900m. The decline was mainly caused by an increased tax charge, a technicality and nothing to cause any concern, according to Mr von Kuenheim. This year "we will have every reason to be satisfied with our business results," he adds.

The sharp rise in the value of the D-mark against the US dollar is bound to catch up with BMW at some point, even though the group hedges against currency fluctuations. But, as previously explained, this will not show up in the published profit and loss account because this includes only the factory profit on cars built for the US—and the price to the US subsidiary has not been changed significantly.

Laing and Crutchbank's Mr Reitman estimates that BMW will begin to feel considerable pain if the dollar falls to DM 1.70.

BMW's car factories at Munich and Dingolfing in Bavaria are working at full stretch and above nominal capacity. Towards the end of this year the pressure will ease with the opening of BMW's third plant, also in Bavaria, at Regensburg, which will lift annual capacity to about 550,000.

Car sales this year are forecast to rise from the record 440,732 to about 450,000. Output will then advance in annual "steps" of about 20,000 each in 1987 and 1988.

BMW has no intention of pushing up volume quickly once Regensburg is up and running. Mr von Kuenheim says: "Our output will always be kept behind the demand we are expecting."

And he feels that if BMW produced 600,000 cars a year it would be in danger of losing the exclusivity which contributes substantially to the attraction of its models.

Sales in the US are expected to advance to 92,000 this year and BMW believes it can push ahead to 100,000 a year in the States—still less than 1 per cent of that huge market—without hurting its image or causing protectionist concern among the domestic companies.

However, Mr von Kuenheim does not want to rely too heavily on the US and intends to hold sales there below 20 per cent of BMW's annual total.

BMW's turnover will climb faster than car volume sales in future, he predicts, as the group encourages customers to buy cars with more equipment, while the 7-series models represent only 10 per cent of BMW's output, they contribute about 20 per cent of profit. In comparison, the best-selling but smaller 3-series models contributed 60 per cent of volume but only 45 per cent of the profit.

BMW's capital expenditure jumped sharply last year from DM 870m in 1984—when the programme was held back for three months by the West German engineering workers' strike—to DM 1,345m. Mr von Kuenheim says it will move ahead again, to about DM 1.5bn this year but will still be covered by cash flow and the proceeds of the rights issue.

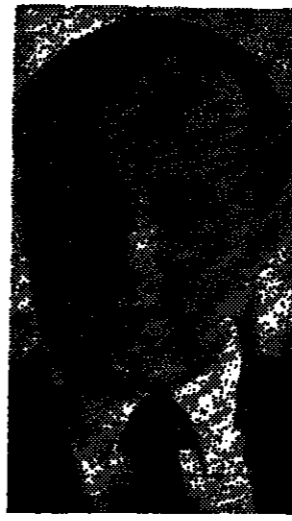
Faced with slower growth for its car business, BMW might be expected to look for diversification into an industry with better growth prospects. Earlier this year the group seemed about to follow Daimler-Benz's West German rival into the aerospace industry with the acquisition of MBB (Messerschmitt Bolkow Blohm).

MBB has a complicated ownership involving large holdings by the state governments of Bavaria, Hamburg and Bremen, two banks and a variety of German industrial groups including Thyssen, Bosch, and Krupp.

Mr von Kuenheim says the state shareholders wanted BMW to take over only the equity held by the private sector group, and that "no buy-out" would BMW put in money and management time, yet be subjected to political interference.

Although BMW is small in motor industry terms—it produces only about 1.5 per cent of the cars made in the world—it is a big industrial group by any other measurement.

MBB, with a turnover of DM 5bn and pre-tax profits of DM 100m last year, would have been about the right size for BMW. As Mr von Kuenheim points out, if BMW is to diversify, "the company we buy must be big enough to warrant our management time but small enough not to damage BMW should anything go badly wrong."



Eberhard von Kuenheim: expecting continuing growth

anti-trust rules, but so would any other substantial car manufacturer.

Mr von Kuenheim's arguments are based heavily on the assumption that the BMW management can continue to provide the Quandts and other shareholders with reasonable financial results.

He admits this will not be easy in the changed circumstances of the world's motor industry. "The time of big increases in production and profit is at an end."

Nowhere is this more the case than in BMW's home market. Nearly every person who can afford a new car in West Germany already has one, leaving only replacement to provide demand. Also the West German population is gradually declining.

Mr von Kuenheim believes BMW can continue along the growth path, though at a more sedate pace than in the boom years of 1983-85.

Last year BMW's turnover rose 9.7 per cent to DM 18bn

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**INTERNATIONAL COMPANIES and FINANCE**

**Malaysian funds flow into foreign banks**

By Wong Sulong in Kuala Lumpur

FOREIGN BANKS and finance companies in Malaysia are enjoying a strong influx of cheap funds as nervous depositors switch savings, following a spate of bad losses and runs on local banks and the financial crisis facing the deposit-taking co-operatives.

Several foreign banks have confirmed that there has been a "strong upsurge" in deposits in recent weeks, and one foreign-owned finance company which has a wide branch network has reported an increase of more than 50 per cent in deposits.

The influx of deposits is proving to be a double boon to the foreign banks, which have in the past lost out to banks because of a limited branch network.

Traditionally, foreign banks have to borrow in the interbank market at high cost to fund lending. Interbank rates have shot up because of tight liquidity in the Malaysian finance system. The loan deposit ratio of Malaysian banks currently exceeds 100 per cent, compared with 95 per cent last year, and some foreign banks have a loan deposit ratio as high as 140 per cent.

According to Bank Negara, the Malaysian central bank, the banking sector had total deposits of 51bn ringgit (\$19.5bn) at the end of last year, of which 12.1bn ringgit was placed with the 16 foreign banks.

The foreign banks are offering between 9 and 10 per cent interest for fixed deposits, compared with 10 and 12 per cent offered by local finance companies.

Depositors' confidence in the local financial system has been shaken in recent months by poor banking results, a spate of runs, and action by the government to freeze the activities of 24 of 34 deposit-taking co-operatives. The 24 DTCS have 1.5bn ringgit in deposits and many are in trouble because of bad investments in the property and share markets, which had collapsed.

According to bankers, the most disturbing feature is that some of the runs were sparked off as a result of political, business and even personal rivalry, rather than the financial health of the institution concerned.

Meanwhile, Mr. Yusoff Yusoff, the finance minister, has announced his family was planning to sell off its 50.3 per cent stake in United Malaysian Banking Corporation to defuse the controversy surrounding the family's involvement in the country's third largest domestic bank.

It is understood negotiations are taking place to sell the stake to Ferrous, a government agency, which already has 42 per cent in UMBC.

**Ian Rodger on a key player at the Tokyo Stock Exchange  
Heiwa finds a formula for growth**

THE TOKYO Stock Market and Heiwa Real Estate have a uniquely interdependent relationship. Heiwa, a small real estate company, derives most of its revenues and profits from renting office and trading space to Japan's stock exchanges and stockbrokers. Moreover, its rental income from the exchanges is dependent on stock exchange volume.

When market activity is strong—and it has been breaking all records in recent months—Heiwa prospers. It returns, Heiwa's own share price has come to be regarded as a leading indicator of the stock market. It figures prominently in accounts of daily trading activity alongside such household names as Sony, Hitachi and Mitsubishi.

Heiwa shares have done well this year, rising from ¥573 at the end of December to a recent peak of ¥1,350. Ominously perhaps, they have slipped to the ¥1,000 level in the past two jittery weeks.

Heiwa's profits have also done well. The company recently forecast that pre-tax earnings in the six months to September 30 will be up more than 50 per cent to about ¥900m (\$5.8m).

Like many institutions in Japan, Heiwa's peculiar structure arises from a reconstruction which took place after the Second World War.

After the war, the old stock exchange companies were liquidated, but investors had acquired a taste for a share that was directly dependent on market activity so Heiwa (the word means peace) was formed to take over all their properties. However, stock exchange business has always accounted for a large share of its revenue and the importance of this side is increasing. A record 62 per cent of Heiwa's ¥8.5bn revenue last year came from stock exchange rentals.

Stock Exchange members are also the controlling shareholders of Heiwa, and there lies the rub. Three years ago they decided that Heiwa was on to

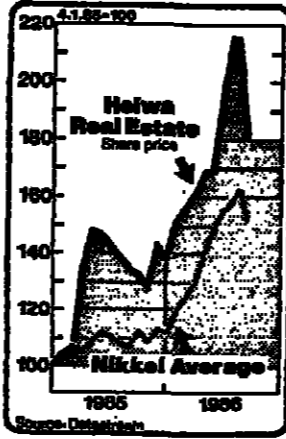
too much of a good thing with its volume formula, at least as far as the Tokyo Stock Exchange was concerned.

The TSE is by far the largest stock exchange in Japan. By way of illustration, 70 per cent of Heiwa's stock exchange

revenues come from the TSE. TSE members changed the formula to one combining a fixed basic component and a flexible component based on the value of transactions above an agreed amount. The brokers also established the right to review the formula every two years.

The next review is due to take place next month, and Heiwa executives are under no illusions about what will happen. The point at which the formula comes into play is now ¥270m of share sales per day. In July the value of average daily trading was ¥740m, far beyond what anyone expected two years ago.

The base point will be moved up," Mr. Kageyoshi Sakuma, a senior executive director, acknowledges. He also points out that, because of the review, the company's profit growth rate of the first half will not be sustained in the second half. But Heiwa executives are still hoping for a 35 cent rise to ¥1.9bn.



Heiwa Real Estate share price and Nikkei Average

**Keppel in life insurance joint venture with Amey**

BY STEVEN BUTLER IN SINGAPORE

KEPPEL, THE Singapore shipbuilding and marine group, yesterday announced the sale of a \$515.75m (US\$7.5m), 40 per cent equity share of its wholly-owned subsidiary, Malaysian Motor and General Underwriters to Amey, the Dutch international insurance and financial services group.

The joint venture company will be renamed MMGU Insurance, and will expand its activities in general insurance to the life insurance business. MMGU had a 1985 turnover of

\$513.5m. The Singapore life insurance industry is expected to receive a boost next year, when Singapore retirees will be able to place a portion of their pensions accumulated under the government-run Central Provident Fund with life insurance companies.

Keppel said it was interested in the life insurance expertise and underwriting capability that Amey could provide. Amey's total revenues last year were \$17.5bn.

**Brierley lifts HWT stake**

BY ROBERT KENNEDY IN SYDNEY

INDUSTRIAL EQUITY, the master company in Australia of Mr. Ron Brierley, the New Zealand-based entrepreneur, has bought an additional A\$27m (US\$17m) of shares in Herald and Weekly Times, the Melbourne newspaper group.

The deal appears to give IEL about 11 per cent of HWT, making it the company's second largest shareholder, and

heightens the prospect of a takeover bid.

Speculation in Sydney has centred on the possibility that IEL would set itself up merely as a catalyst for change at HWT. But analysts in Australia have also pointed out that Mr. Brierley already has large publishing interests in New Zealand and might wish to take a more active role in HWT's affairs.

**Bank Hapoalim profits fall as financial margins slip**

BY JUDITH MALTZ IN TEL AVIV

BANK HAPOLIM, which now claims to be Israel's largest bank, yesterday reported an 11.2 per cent drop in net profits to \$115.8m (US\$10.6m) for the first half of 1986, compared with the same period last year.

Total assets down by 4 per cent, stood at \$11.3bn (US\$22bn), and for the first time, exceeded those of its long-time rival, Bank Leumi le-Israel. Since a smaller proportion of Hapoalim's assets are denominated in foreign currency, it did not suffer as much as Leumi from the slowdown in the rate of increase of the exchange rate.

Shareholders' equity at Hapoalim increased by 6.8 per cent to \$11.05bn (US\$10.5bn).

The bank attributed the downturn in profitability to low interest rates and financial margins, a government-imposed freeze on banking fees, and large provisions made for bad debts in wake of the difficulties plaguing the country's business sector.

But, he said, considering that its profits and assets had not contracted by as much as those of Israel's other large banks, Hapoalim had performed "relatively well."

**EI Al may find private buyer**

BY OUR TEL AVIV STAFF

THE ISRAELI Government Companies Authority and the country's Finance and Transport Ministries are examining the possibilities of selling EI Al, the national airline, to private investors.

Among the parties who have reportedly expressed interest is Mr. William Belzberg, the Los Angeles businessman.

Numerous attempts have been made over the past few years to sell the airline, which has accumulated a debt of \$340m, without success.

In 1984-85, the company showed a \$9.7m loss, but an improvement is expected in this year's figures. EI Al has been in temporary receivership

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INTL. COS and FINANCE

CONTRACTS

Malaysian Airline System set to maintain year-end profits

MALAYSIAN Airline System (MAS) expects to maintain pre-tax profits for the year ending March 1987 at about 108.77 million ringgits (\$41.4m) similar to the previous year.

shares are quoted in the Kuala Lumpur Stock Exchange and the remainder are in the hands of the Government. The company wants to sell more shares to the public, but has not decided when to do this, the chairman said.

ringgit modernisation programme which would include replacement of its Fokker Friendship fleet being used for short runs within the country.

£6m Singapore airport project

The development of Singapore Changi Airport's second terminal was taken a step further with a contract for a computerised Flight Information Display System (FIDS II) between the Civil Aviation Authority of Singapore (CAAS) and PHILIPS PROJECT DEVELOPMENT (S) PTE.

of condensers and air extraction pump plants for the 500 MW turbines on the State Electricity Commission of Victoria's Loy Yang "B" power station project in Australia. The condensers will be made in Australia. The project, which is being executed by the State Electricity Commission of Victoria, is expected to be completed and supplying power to the Victoria grid system in the mid 1990s.

French Disneyland talks stall

THE LONG-RUNNING talks between the French Government and the Disneyland International unit of Walt Disney about an amusement park outside Paris are understood to have stalled on a series of legal problems.

end of the year, Reuters reports from Paris. The two sides signed a letter of intent for the European Disneyland scheme last December. But negotiations have been hit by problems including disagreements over financial terms and French pledges to improve transport links.

park has been put at about FFr 8bn (\$1.2bn). But French officials estimate long-term investment at some FFr 45bn and say the project in the Marne-la-Vallée development zone east of Paris will create more than 30,000 jobs.

Seoul orders companies to merge

SOUTH KOREA has ordered 11 companies to acquire 17 financially troubled concerns under the Government's industrial realignment programme. The Finance Ministry said no more such forced mergers were planned for the remainder of 1986, Reuters reports from Seoul.

also be exempt from corporate tax and property acquisition and registration taxes. The Government ordered 12 such compulsory takeovers earlier this year. The 17 concerns include seven subsidiaries of Kukje Group which collapsed last year. Hanil Synthetic Fibre Industrial will absorb five of

the concerns and Dongkuk Steel Mill two. Daewoo will take over Keang Nam Enterprises, while Sangyong Construction will absorb Namkiang Engineering and Construction. Daewoo and Sangyong have taken over overseas construction contracts won by the dissolved firms.

VICARS GROUP has won a contract worth just under £1m from the Co-operative Wholesale Society for an automatic "Cream Cracker" production plant. This is the first major investment in new "Cream Cracker" production plant for many years, says the company.

APV PARAMOUNT, part of APV Holdings, has been awarded a contract by the M. W. Kellogg Company in Houston, Texas, to cast a large tonnage of tubes, bends and "T" pieces in three proprietary heat resisting steels. These components are to be incorporated into coils which are to be installed in gas pre-heating furnaces forming part of an iron ore direct reduction plant to be rebuilt in Venezuela at Matanzas by CVG-Siderurgica del Orinoco SA, the national steelworks company. This contract is worth over £2.25m and both the Crawley and Billingham foundries of APV Paramount will be involved.

JOHNSON MATTHEY catalytic systems division equipment has won orders worth £296,000 to supply equipment for use in the manufacture of semi-conductors. Largest order, valued at £200,000, is to supply four G10 hydrogen generators to Lucky Goldstar Electronics in Korea.

Madeley, said to be Britain's largest independent DIY consumer, has placed a £1m order with ICL for electronic point of sale systems. It covers 30 System 25 minicomputers which initially will service 15 stores running 60 ICL 9505 point-of-sale terminals. Hand-held lasers will be used in association with the system to read bar codes on products and enable price look-up. This will allow Madeley to use shelf-edge pricing, meaning any price changes can be implemented immediately enabling cost benefits, as well as labour and management time saving.

TELECOMUNICATIONS INFORMATION SYSTEMS has won a £500,000 contract to supply automatic voice recording systems to Shearson Lehman Brothers, part of American Express. The recorders will automatically record all telephone transactions to and from dealing desks in the company's new City of London securities trading floor—the largest dealing room in the UK, and one of the largest in the world.

Thermalite, recently acquired by Marley for £6m, has concluded a 10-year ash agreement with the CEBG for the supply of pulverised fuel ash, a major ingredient in the manufacture of aerated blocks. The contract is worth £1m a year to the CEBG. Under the agreement, Thermalite can draw several hundreds of thousands of tonnes of PFA a year from power stations in England normally located near the company's plants.

STONE INTERNATIONAL subsidiary Stone Safety Corporation has a contract from New York City Transit Authority for the supply of 110 car sets of air conditioning, solid state temperature controls and solid state converters. The total value of the order exceeds \$5m (£3.3m). The equipment will be used by the Transit Authority for the refurbishment of R-42 cars.

WAVIS ENGINEERING DEVELOPMENT has sold 1-6 station and 1-5 station rotary transfer machine tools to Daewoo EMS Co. Seoul for machining its rods. Total order value \$225,000.

Weir Group subsidiary, WEIR ENGINEERING PTY has secured a \$5m contract to supply two sets

STONE INTERNATIONAL has been awarded a \$217,000 extension to its contract for traffic signal and control equipment to be installed on the M25 motorway.

NOTICE OF REDEMPTION TRAILER TRAIN FINANCE N.V.

Notice to the Bond Holders of 13 1/4% Bonds due 1st November, 1992

Notice is hereby given that pursuant to the terms of the 13 1/4% Bonds, US\$5,400,000 principal amount of 13 1/4% Bonds has been drawn by lot by the undersigned for redemption on the 3rd November, 1986.

The said 13 1/4% Bonds so called for redemption will therefore be redeemed on the 3rd day of November, 1986 at 100% of the principal amount so called, plus accrued and unpaid interest to the date of redemption if applicable, upon surrender of the said Bonds with, thereto attached all interest coupons maturing 1st November, 1986, and thereafter at any of the following Paying Agents:

- Manufacturers Hanover Limited, 7, Princes Street, London EC2P 2EN
Manufacturers Hanover Trust Company, Bockenheimer Landstrasse 51-53, Frankfurt-am-main
Manufacturers Hanover Trust Company, Stockerstrasse 33, 8027 Zurich
Manufacturers Hanover Trust Company, Corporate Trust Office, 40 Wall Street, New York, N.Y. 10015

Notice is also hereby given that interest upon Bonds so called for redemption shall cease to be payable from and after the said redemption date, namely the 3rd day of November, 1986, and coupons for interest maturing after the said date, namely the 3rd day of November, 1986, shall be void.

The designating letter and numbers of the Bonds so called for redemption are:

Table with columns of bond identifiers: R02769, R02975, R06072, R05107, R05223, R05485, R05819, R05983, R06514, R06689, R06841, R06894, R07406, R07427, R07469, R07518, R08188, R08208, R08235, R08474, R08536, R08547, R08697, R08883, R09347, R09431, R09455, R09736, R10297, R10550, R10636, R10759, R10775, R10884, R11212, R11284, R11688, R11785, R11812, R12097, R12689, R12947, R13011, R13174, R13424, R13643, R13737, R13785, R14159, R14184, R14498, R14659, R14734, R14749, R14849, R14828, R15223, R15239, R15332, R15474, R15491, R15650, R15791, R15797, R15837, R15880, R16006, R16075, R16234, R16536, R16770, R17008, R17381, R17732, R18187, R18472, R18547, R18631, R18724, R20629, R20806, R22009, R22072, R23429, R23507, R23694, R24094, R24170, R24306, R24391, R24516, R24601, R25234, R25561, R25717, R25835, R26106, R26373, R26384, R26470, R26623, R26710, R2682, R26912, R27014, R27015, R27025, R27029, R27032, R27034, R27035, R27042, R27049, R27054, R27059, R27064, R27065, R27072, R27074, R27075, R27082, R27084, R27089, R27129, R27134, R27142, R27149, R27159

Also, all Bonds of which the letter and last two digits of serial numbers are any of the following:

R04 R05 R40 R42 R52 R54 R57 R58 R60 R63 R68 R76 R78 R96

Also, all Bonds of which the letter and last digit of serial numbers are any of the following:

RL7 RL8 RL0

The principal amount of 13 1/4% Bonds outstanding after the said redemption date will be US\$16,400,000.

MANUFACTURERS HANOVER LIMITED Principal Paying Agent 23rd September, 1986

DAIWA BANK advertisement with logo and contact information for Osaka, London, Frankfurt, Paris, and Zurich.

Kingdom of Sweden US\$500,000 Floating Rate Notes due 2005 advertisement.

Pima Savings and Loan Association advertisement featuring a logo and details of a \$100,000,000 collateralised revolving underwriting facility.

BANQUE INDOSUEZ advertisement for a \$200,000,000 issue of 10 1/2% per cent. Notes due 1993.

ALL NIPPON AIRWAYS CO., LTD. advertisement for guaranteed floating rate notes due 1991.

Korea Exchange Bank advertisement for \$50,000,000 floating rate notes due 1995.





UK COMPANY NEWS

Canning up 17% and plans to float US subsidiary

BY ALICE RAWSTHORN

W. Canning, West Midlands manufacturer of chemicals, electronics and metals, announced yesterday that it had increased pre-tax profits by 17 per cent to £1.52m in the first half, despite adverse exchange rates and a downturn in its metals division. The company also unveiled plans to float its US medical services division, Medserv, on the New York Stock Exchange or Nasdaq, the US over-the-counter market, next year. After the flotation Medserv would be capitalised, in dollar terms, at slightly more than Canning itself. "On the whole we were very pleased with our performance in the first half," said Mr David Probert, Canning's chairman. "We had two major disappointments in exchange rates, which cost us £100,000 in pre-tax profits, and precious metals which were hit by the fall in the silver price. But we are confident about the outcome for the full year."

The first half and has entered into conditional agreement to acquire Inhalation Therapy Services from American Medical International. Once the acquisition is completed Canning will finalise plans to float Medserv. "After the acquisition Medserv will have a turnover of \$100m (£68.5m) a year and will employ 3,000 people," said Mr Probert. Canning envisages floating Medserv in 1987 and retaining a controlling interest in the company. They added that in North America prospects for the group's eighty-run centres, especially in the enlarged and strengthened Fraser Valley operations, also looked extremely healthy. Shareholders were told that it was only in the UK newspaper sector, which now produced the smallest portion of group profit, where a note of caution must be sounded. The directors said it was essential that the group remained flexible to fight off other, alternative forms of media which were now challenging the whole of the established provincial newspaper industry. They added: "In the relatively depressed markets around Merseyside, further fundamental changes to all aspects of the way the group operated may well be needed sooner rather than later."

Sale Tilney hits £1.55m

Sale Tilney raised its profits from £1.37m to £1.55m pre-tax in the six months ended May 1986 turnover £4.94m ahead at £38.03m. The technology and financial services sectors produced excellent results and the newly-acquired companies, which have not yet contributed to profits, are performing well up to expectations. Despite harsh conditions for the food manufacturing company, the directors said they were anticipating an overall satisfactory result for 1986 as a whole. First half earnings improved to 6.7p (6p) and the interim dividend is being lifted from 2.5p to 3p net.

Travis & Arnold improves 25% at half-way stage

THE IMPROVED performance at its Kennedy subsidiary helped Travis & Arnold to increase pre-tax profits in the first half by 25 per cent from a depressed £2.62m to £4.1m. The board said the result, in the six months to June 30 was also helped by steadily increasing activity in the housing market, fuelled by good mortgage availability at stable rates. Turnover at the builders' and plumbers' merchants and timber importer rose by 34 per cent from £81.29m to £28.06m. There was a £21,000 profit on the sale of properties, compared with nothing last year. Investment income fell to £244,000 (£284,000).

Kennedy's building supply outlets, the subsidiary's core area, improved their contribution, but, Travis said, had further to go before achieving the required level of performance. Kennedy's garden centres business had continued to perform well. Earnings per share in the period under review increased by 29 per cent from 12.9p to 16.9p after a tax charge of £1.64m (£1.46m). A one-for-one scrip issue is being proposed. The interim dividend is being increased 10 per cent from 1.95p to 2.15p. Travis said the outlook for the market in the second half remained encouraging.

Trinity hits £4m: UK newspapers a concern

FIRST HALF profits of Trinity International Holdings surged from a depressed £2.67m to £4.25m and shareholders are to receive an increase of 0.9p in their interim dividend to 5p net per 50p share. And directors said yesterday that barring adverse market forces the papermaking and packing division looked set to continue its excellent progress for the remainder of 1986.

They added that in North America prospects for the group's eighty-run centres, especially in the enlarged and strengthened Fraser Valley operations, also looked extremely healthy. Shareholders were told that it was only in the UK newspaper sector, which now produced the smallest portion of group profit, where a note of caution must be sounded.

The directors said it was essential that the group remained flexible to fight off other, alternative forms of media which were now challenging the whole of the established provincial newspaper industry.

They added: "In the relatively depressed markets around Merseyside, further fundamental changes to all aspects of the way the group operated may well be needed sooner rather than later."

Turnover for the six months to June 28 1986 declined from £42.41m to £41.34m — the group was formerly known as the Liverpool Daily Post & Echo. Tax rose from £1.15m to £1.8m but there were extraordinary credits this time of £1.69m which left attributable profits at £4.6m, compared with a previous £1.32m. Earnings worked through 10.0p higher at 24.1p. During the six months, the group's balance sheet was strengthened by sales of the Catholic newspaper business and the final tranche of Reuters shares. It was pointed out that the US operations were based in highly competitive areas but helped by further single keeping efficiencies, produced their best ever start to the year. Circulation of both daily titles suffered but sales of both the evening and morning papers picked up rapidly as production times stabilised.

David Dodwell looks at the man behind Hutchison Whampoa The highly predatory entrepreneur

LI KASHING, who has controlled Hutchison Whampoa since 1979 through his master company Cheung Kong, is seen by many as the corporate epitome of Hong Kong. From a back-street workshop making plastic flowerers he has risen in 36 years to head one of the most powerful corporate empires in Hong Kong. He has risen as a result of a total obsession with business, a seemingly insatiable predatory instinct, and because of a legendary flair for making the right corporate move at the right time.

From his Cheung Kong headquarters at the top of the China building in Hong Kong's central business district, he heads the territory's second largest property group, as well as the long-established trading group Hutchison Whampoa and the smaller of Hong Kong's two utility companies, Hongkong Electric.

These three groups alone are worth about HK\$42bn (£3.68bn), accounting for just under 15 per cent of the total market capitalisation of Hong Kong's stock market.

Largest

Hutchison, in which Cheung Kong holds a controlling 36.6 per cent stake, is now among Hong Kong's largest companies, with a market capitalisation of about HK\$15bn.

From its origins 120 years ago in dockyard and shipping operations, Hutchison today has substantial property interests, operates one of Hong Kong's largest retail shopping chains, has diverse trading interests, and operates the territory's largest container terminal.

The controlling stake in Hongkong Electric was acquired through Hutchison in February

last year at a cost of HK\$2.8bn. In addition, Hutchison acquired a small shareholding in Cathay Pacific Airways when the airline was publicly floated early this year.

LI Kashing also inherited a 25 per cent holding in the South China Morning Post (SCMP), Hong Kong's leading English language newspaper, when he took control of Hutchison from the Hong Kong and Shanghai Banking Corporation in a controversial coup in 1979. This stake is pertinent to Li's discussions with Pearson because it is known in Hong Kong that the Financial Times has within the last year discussed the acquisition of a stake in SCMP sufficient to give Li control, with the newspaper group's main shareholder, the Hongkong Bank.

Unclear

While it is yet unclear what Li Kashing's aims are, analysts in Hong Kong note that it would be quite out of character for this highly predatory entrepreneur to sit on his 4.99 per cent stake as a long term investment in a blue-chip UK company.

If an exchange of assets is being discussed as an alternative to a simple takeover, then Hutchison's SCMP stake—thought to be worth about HK\$500m—is probably seen as a carrot intended to coax out of Pearson those assets Hutchison most keenly wants.

At present, a full bid assault cannot be ruled out. Nor is an amalgamation with Pearson without its attractions to Li Kashing. Hutchison certainly has the resources needed to take up either of these options. Hutchison carries long-term debts of just HK\$2.5bn—giving it a gearing of about 15 per

cent—and "almost unlimited borrowing facilities," according to financial advisers CitiCorp. Observers in Hong Kong at this stage suggest a third and cheaper option may have been discussed—that Li Kashing would prefer to acquire from Pearson those assets Hutchison wants, and leave the remainder of the group intact.

Plausible

This option is plausible in part because Li Kashing is well known to dislike the idea of heavy indebtedness, and in part because contested takeover bids are not part of Hong Kong's corporate tradition.

The territory's Chinese businessmen prefer to agree deals behind closed doors, presenting them to the public as a fait accompli, rather than indulge in unseemly public contests for control.

The fact that so many Hong Kong companies are tightly controlled makes such a practice possible in Hong Kong in a way that would be rare in mature equity markets.

Despite this preference, there is no reason why Li Kashing would not resort to a full takeover battle if necessary. A precedent was set in Hong Kong early last year when Sir Yue-Kong Pao, who heads the property group Hongkong Kowloon Wharf and Godown, fought against Mr Khoo Teck Poot, a prominent Singaporean businessman, for three months to win control of Wheelock Marden.

Base

In Hong Kong, the group is remaining coy about its next move. Mr Philip Tose, who heads the CitiCorp team acting as financial advisers to Hutchison, noted yesterday: "At

this stage, there are a lot of options open to us."

It has been clear for more than a year that Hutchison is in search of a suitable acquisition outside Hong Kong. Managing director Mr Simon Murray has made much of the fact that the group last year committed HK\$12bn to investments in Hong Kong, and has reached a point where further expansion must occur overseas. While emphasising that the group's base would remain in Hong Kong, he says he wants to reduce dependence on the territory to about 75 per cent of group earnings by the end of the decade. At present, the amount earned overseas is negligible.

In March this year, he said the group was looking in the US and the UK, wanted to acquire a prosperous and well-managed company rather than one that needed surgery, and was keen that the target company should have interests in common with those of Hutchison. Pearson seems well qualified on all of these counts.

Symbol

A close encounter with Li will reveal that his simple quartz watch is set to run eight minutes fast. Not seven or nine minutes, but eight. "I don't like to arrive late for meetings. Li quips with anyone forward enough to ask why."

What he does not note is that among the deeply superstitious Cantonese, the number eight is also a potent symbol for making money. Such a gesture is one hundred per cent appropriate to Li Kashing, who over the past 35 years has made a fine art out of making money. There is no reason to believe that his foray into the Pearson camp will provide any exception.

Gabici lifts profits 16%

Pre-tax profits up 16 per cent to £851,000 are reported by Gabici in the year ended June 1986. Sales were up 59 per cent from £8.1m to £9.69m.

Gabici—its shares are traded on the Unlisted Securities Market—designs, imports and supplies casual menswear.

Of current trading, Mr Jack Sofer, the chairman, said that delivery and sales for the coming Autumn were ahead of last year. The Gabici spring 1987 collection was considered to be its best ever as indicated by the orders received. He said the trading pattern of the group, together with those subsidiaries which were also contributing for the first time, meant that the group was optimistic of even better news for the current year.

The final dividend is raised from 1.9p to 2p net for a total of 3p (2.5p).

Metalrax shows better margins

Improved margins were achieved by Metalrax Group, Birmingham-based engineering specialist, in the first half of 1986, and Mr John Wardle, the chairman, said yesterday that the second half was likely to show a similar pattern.

The pre-tax result for the period came out 12.7 per cent ahead at £1.85m on turnover 5 per cent up at £18.03m. Last time pre-tax profits showed a similar 19 per cent improvement to £1.55m but there was a 22 per cent improvement in turnover to £17.17m. The interim dividend is raised from an adjusted 0.6364p to 0.73p. Earnings per 5p share are shown up from 2.54p to 3.28p. After tax of £669,000 (£641,000), and total dividends absorbing £246,000 (£232,000), retained profits came out £229,000 ahead at £910,000.

MERIVALE MOORE'S FIRST YEAR ON THE MARKET IS ALREADY GOING TO PLAN. 1 Turnover up 40% 2 Pre-tax profits up 64% 3 Earnings per share up 62% 4 Net assets per share up 36%

Westpac Banking Corporation (Incorporated with limited liability in the State of New South Wales, Australia) U.S.\$500,000,000 Perpetual Capital Floating Rate Notes. Lists various international banks and financial institutions.

BANRO INDUSTRIES plc Interim Results - Unaudited. Table showing financial results for half year and year to date. Includes turnover, profit before tax, earnings per share, and dividend per share.









AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

EQUITIES

Table with columns: Issue No, Last Price, Change, Stock Name, etc. Includes entries like 1000 F.P. 1700 85 28, 1000 F.P. 1700 85 28, etc.

FIXED INTEREST STOCKS

Table with columns: Issue No, Last Price, Change, Stock Name, etc. Includes entries like 1000 F.P. 2300 1000 94, 1000 F.P. 2300 1000 94, etc.

"RIGHTS" OFFERS

Table with columns: Issue No, Last Price, Change, Stock Name, etc. Includes entries like 1000 F.P. 2000 200 125, 1000 F.P. 2000 200 125, etc.

Remember date usually last day for dealing for stamp duty. A non-cash dividend. Figures based on prospectus information. Dividend rate paid or payable on part of capital, cover based on dividend to full capital. Assumed dividend and yield after 10% tax. Dividend and yield after 10% tax. Dividend and yield after 10% tax.

FINANCIAL TIMES SURVEY  
The Financial Times proposes to publish a  
CREDIT CARDS SURVEY  
on November 10, 1986  
The following subjects will be covered:  
1. Introduction  
2. The Major Credit Card Systems  
3. Charge Cards  
4. New Products  
5. Banks  
6. Non-Bank Card Issuers  
7. International Networks  
8. National Systems  
9. New Technology  
10. Electronic Funds Transfer at Point of Sales  
11. Suppliers of Hardware  
12. Fraud  
All editorial comment should be addressed to the survey Editor. A full editorial synopsis and information about advertising can be obtained from Robin Ashcroft, telephone 01-248 8000 extn. 3365, or your usual Financial Times representative.  
EUROPE'S BUSINESS NEWSPAPER

FT CROSSWORD PUZZLE NO. 6,132  
HIGHLANDER

Crossword puzzle grid with numbers 1-28. Includes clues for Across and Down.

ACROSS  
1 States of depression? (3,9)  
10 Paid the difference over and above mine (7)  
11 House where old writer found jolly little women making soup (7)  
12 Apply sound level (6)  
13 Seeking up? Ring us anyhow (8)  
15 Breathing at the crease has foggy effect on photograph (10)  
16 Currency used in Europe south of the Alps (4)  
18 An insect starting life has to work hard for food (4)  
20 Denying it's getting less, having inside information going about (10)  
22 Half-cooked and eaten without one being thin (8)  
24 Letter from abroad shows old-fashioned reserve (5)  
26 An impression English spirit is about in the country (7)  
27 Taken by vehicle on a rough ride (7)  
28 Ben seek these to make something particularly good (3,4,5)  
DOWN  
2 Ringway is overloaded but he doesn't fly and refuses to accept facts (7)  
3 Without a key, every cell could be ingeniously converted (8)  
4 Open to defeat (4)  
5 In built-up areas ladies won most new converts (10)  
6 It's on target and Victor loses his wicket (6)  
7 Most of the nuts are seen about in chapel (7)  
8 Genuinely type representing the hunt (8,5)  
9 Fighters using force-shields? (7,6)  
14 Australian soprano turned up in the country with companion (10)  
17 It's very hard putting players before club (4-4)  
19 Just in front, correct? (7)  
21 Wrong time is put down on engineering record (7)  
23 Proceed steadily on work with metal (8)  
25 Serves when standing outside church (4)  
Solution to Puzzle No. 6,131  
STREET MINIONS  
LAPAL ALLIGATOR  
TERRIBLE NINJA  
ABERNETHY INDIA  
AHEAD INANIMATE  
SETALIGHT DATED  
PANIC DEPRICATE  
RELIABLE FOCUS  
ALICORNER ASHES  
OVERSEER SPONDED

Main table of Unit Trusts with columns: Issue No, Last Price, Change, Stock Name, etc. Includes entries like 1000 F.P. 1700 85 28, 1000 F.P. 1700 85 28, etc.

Main table of Unit Trusts (continued) with columns: Issue No, Last Price, Change, Stock Name, etc. Includes entries like 1000 F.P. 1700 85 28, 1000 F.P. 1700 85 28, etc.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing columns for various financial entities such as Waverley Asset Management Ltd, City of Edinburgh Life Assurance, and numerous other unit trusts and insurance companies. Each entry includes a name, address, and numerical data points.

INSURANCES

Sub-table under the 'INSURANCES' header, listing various insurance policies and their associated details.

Main body of the table containing detailed information for various unit trusts and insurance companies, including names, addresses, and numerical values.

Rightmost section of the table, containing additional unit trust and insurance entries.

Handwritten scribble at the top center of the page.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and overseas funds with columns for fund name, company, and performance metrics.

Table listing insurance and overseas funds, including 'For East Growth Fund' and 'Fidelity International'.

Table listing insurance and overseas funds, including 'Western Athlete (Germany)' and 'Mitsubishi Life Insurance Co. Ltd.'.

Table listing insurance and overseas funds, including 'Schroder Invest Services (Jersey) Ltd' and 'Warburg Investment Management Jersey Ltd'.

Table listing insurance and overseas funds, including 'Standard Life Assurance Company' and 'MANAGEMENT SERVICES'.

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Money Market Bank Accounts

Table listing money market bank accounts with columns for bank name, account type, and interest rate.

TRADITIONAL OPTIONS

Table listing traditional options with columns for option name, strike price, and other details.

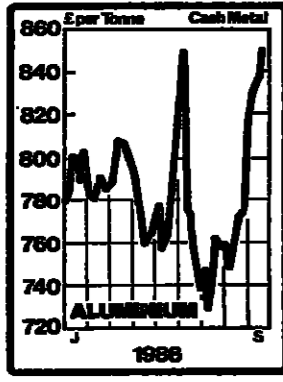
COMMODITIES AND AGRICULTURE

No end to aluminium market problems

BY DAVID OWEN IN CHICAGO

SLUGGISH demand growth and persistent excess capacity are likely to continue to dog the sticky aluminium market for the foreseeable future...

Mr D. G. Wood, general manager of joint ventures, with Australia's Comalco, projected average growth in demand for primary aluminium of only 1 per cent to 2 per cent per year...



The middle East from the US and Europe. Together with the likelihood of excess capacity at all stages of the industry...

Focusing on current trends in the principal aluminium consuming sectors Mr Dennis Gaillard, director, metal services at Chateaux Economie...

Meanwhile the popular all-aluminium cans in the principal growth area for the metal in recent years...

Mr Stephen Brown, president of US-based Alcan Rolled Products, implied that if and when total penetration of the beverage can market is achieved...

LME structure under fire

BY ANDREW GOWIES

IF ANY COMPANIES on the London Metal Exchange were harbouring doubts as to the pressure on the organisation to change, they are unlikely to be doing so any more...

Still reeling from the tin crisis and beleaguered by the City's new regulators, they have now taken a more active role...

Communication between the exchange and its members has been poor, the report says. The two bodies that run the LME—the board of nine permanent appointees and the annually elected 15-man committee...

The list goes on. All told, a picture is painted of a market with no idea where it wants to be in the 1990s, and encumbered with an administrative structure that is probably impeding it from going anywhere at all.

Price Waterhouse leaves members in no doubt that these problems need to be addressed as a matter of urgency. Indeed, the consultants report that it was very swiftly become clear to them that "the LME faced a number of critically important commercial and strategic issues which were in need of immediate attention..."

There are still plenty of hurdles to clear before the proposals can be implemented. In the first place, the report is known to have aroused powerful opposition within the LME board itself...

There is also considerable opposition to another idea floated by Price Waterhouse: a possible move by the LME to new headquarters being built for the London Commodity Exchange, which trades cocoa, coffee and sugar futures...

But his approach has found little favour at Genta and appears to have raised hackles in some quarters of the LME. Clearly, the day envisaged by some for the ECFA chairmen commodity fraternity—when all the markets would pool resources in order to compete—is a long way off.

Trade team inspects Ghanaian cocoa industry

BY PETER BLACKBURN IN ABDJAN

A TOP-LEVEL cocoa trade delegation is having talks in Ghana today as part of a ten-day, four-country West African tour...

Led by Mr Hans Fritze of the West German Cocoa Company Sopra, the delegation will meet the chairman of Ghana's Cocoa Marketing Board...

During the first stage of the tour in Ivory Coast the delegation had talks with President Felix Houphouët-Boigny and Mr Rene Amann, the new head of the state commodity marketing agency...

Among the points discussed were Ivorian efforts to improve cocoa quality which would help to remove the price differential with Ghanaian cocoa.

Another topic raised was the Ivory Coast's possible membership of the Cocoa Association of the state-owned Nigerian Cocoa Board, the emergence of numerous local cocoa traders and slackening of quality controls.

There is a strong market for quota leasing, which is on an annual basis and registered with the Ministry of Agriculture. The cost of the leases is between 2p and 3p a litre.

Dutch block EEC fishing compromise

By Tim Dickson in Brussels

IMPORTANT conservation measures to protect stocks of white fish such as whiting, haddock, sole and cod in EEC waters were hampered in Brussels last night by Dutch objections to the minimum mesh size to be applied in the North Sea...

The main stumbling block, however, appeared to be Dutch objections to the idea of phasing in more slowly than originally anticipated an increase in minimum mesh size to 50mm in the North Sea from 50mm to 90mm...

Present indications are that the quota price is between 15p and 22p a litre, with the average UK milk yield at 5,000 litres per cow, the price of a head of a cow out at £750 a head...

Another factor is that UK milk production is running well above quota, and under the scheme there will therefore be a punitive levy on farmers who individually are over quota—about half the number. The present liability for extra levy will be about 9p a litre according to the Milk Marketing Board.

There is no doubt that the EEC Commission is acutely aware of the need to cut output and is looking particularly hard at possible reforms in the UK system.

The spotlight is likely to fall in particular on permanent sales of quota when attached to land. Is the land to which it is attached still being used for milk production? Or has the new purchaser simply sold it off and kept the quota?

LONDON MARKETS

COCOA futures prices slumped yesterday afternoon on the London Commodity Exchange...

IN WHAT appeared to be a largely technical correction after a recent rally, the December position fell \$11 on the day to close at \$1,831 per tonne, its lowest level since September 10...

LME prices supplied by Amalgamated Metal Trading.

Unofficial + or - of price (p.m.) - High/Low 2 per tonne

Official closing (am): Cash 278.5 (208.5), three months 272.5 (208.5), settlement 276.5 (208.5)

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INDICES

REUTERS

Table showing various indices including S&P 500, FTSE 100, and others.

DOW JONES

Table showing Dow Jones Industrial Average and other stock market indices.

MAIN PRICE CHANGES

Table showing price changes for various commodities like tin, silver, and copper.

METALS

Table showing metal prices for aluminium, copper, nickel, and zinc.

COFFEE

Table showing coffee prices for various grades and origins.

COCOA

Table showing cocoa prices for different cocoa beans and products.

COTTON

Table showing cotton prices for various grades and origins.

HEATING OIL

Table showing heating oil prices for different grades.

WHEAT

Table showing wheat prices for various types and origins.

GRAINS

Table showing grain prices for corn, soybeans, and other crops.

WHEAT

Table showing wheat prices for various types and origins.

SILVER

Table showing silver prices for various grades.

MEAT

Table showing meat prices for live cattle and pigs.

US MARKETS

THE NEW YORK FINEST

METALS markets finished on another firm note, although gold could not sustain the strength exhibited in the morning session in London...

PLATINUM

Table showing platinum prices for various grades.

SILVER

Table showing silver prices for various grades.

NEW YORK

Table showing New York market prices for various commodities.

COFFEE

Table showing coffee prices for various grades.

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Table showing meat prices for live cattle and pigs.

ORANGE JUICE 15,000 lb. cents/lb

Table showing orange juice prices for various grades.

PLATINUM 5,000 tray oz. \$/tray oz

Table showing platinum prices for various grades.

SILVER 5,000 tray oz. cents/tray oz

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Table showing silver prices for various grades.

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Table showing meat prices for live cattle and pigs.

TEA

Table showing tea prices for various grades.

The milk quota maze

FARMER'S VIEWPOINT

By John Cherrington

IN THE mid-1930s, I decided to expand my milk production. I had saved enough money to buy 60 cows and a second-hand milking machine...

Present indications are that the quota price is between 15p and 22p a litre, with the average UK milk yield at 5,000 litres per cow, the price of a head of a cow out at £750 a head.

Another factor is that UK milk production is running well above quota, and under the scheme there will therefore be a punitive levy on farmers who individually are over quota—about half the number.

There is no doubt that the EEC Commission is acutely aware of the need to cut output and is looking particularly hard at possible reforms in the UK system.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

EEC pledge boosts dollar

THE DOLLAR finished below its best level but was still up sharply from Friday, following agreement over the weekend among EEC officials to seek an agreement to halt the dollar's decline. The decision came in the wake of last week's fall by the dollar to a record low against the yen and a low in the terms of the D-Mark. Early trading saw speculators anxious to cover short positions and this boosted the dollar but towards noon activity eased ahead of the opening US markets.

£ IN NEW YORK

Table with columns: Date, Spot, 1 month, 3 months, 6 months, 12 months, Forward premiums and discounts apply to the US dollar.

Immediate effect within the European Monetary System by relieving pressure on the weaker members, notably the Danish krone. The latter was placed within its divergence limit and improved a few percent to DM 2.0500 on Friday. It closed at DM 2.0500 against DM 1.9950. JAPANESE YEN - Trading range against the dollar in 1986 is 1.6355 to 1.7000. August average 1.6870. Exchange rate index fell to 69.4 but fell to 68.5 having opened at 69.9. The six months ago figure was 75.3.

FINANCIAL FUTURES

Mixed changes

PRICES SHOWED mixed changes in the London International Financial Futures Exchange yesterday. Trading was inactive after the weekend announcement by EEC ministers of their pledge to stop the dollar from falling further. While the dollar benefited from the news, there was insufficient conviction to change what remains a bearish outlook for the US Unit, confined thought of lower cash prices and ultimately a boost in the value of future contracts.

LIFE LONG GILT FUTURES OPTIONS

Table with columns: Strike, Dec, Mar, June, Sept, Dec, Mar, June, Sept. Includes prices for various strike levels.

LIFE US TREASURY BOND FUTURES OPTIONS

Table with columns: Strike, Dec, Mar, June, Sept, Dec, Mar, June, Sept. Includes prices for various strike levels.

LIFE EURO-DOLLAR OPTIONS

Table with columns: Strike, Dec, Mar, June, Sept, Dec, Mar, June, Sept. Includes prices for various strike levels.

ESTIMATED VOLUME: Total, Calls 502, Puts 524. Previous day's open int. Calls 14,780, Puts 4,238. ESTIMATED VOLUME: Total, Calls 46, Puts 21. Previous day's open int. Calls 2,302, Puts 2,818.

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POUND SPOT-FORWARD AGAINST POUND

Table showing pound spot and forward rates against the pound for various currencies and terms.

DOLLAR SPOT-FORWARD AGAINST DOLLAR

Table showing dollar spot and forward rates against the dollar for various currencies and terms.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and terms.

MONEY MARKETS

UK rates ease despite weak pound

INTEREST RATES were mostly easier in London yesterday following the agreement over the weekend by EEC ministers pledging support for the dollar. While the dollar benefited, the pound did not but there was no immediate fear or upward pressure on UK base rates. However discount houses were not slow to sell longer dated bills when the Bank took out the shortage. Three-month interbank money was quoted at 10 1/2-10 3/4 per cent compared with 10 1/4-10 1/2 per cent. Overnight money opened at 9 1/2 per cent and tended to drift during the day down to a low of around 9 per cent.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies.

CURRENCY RATES

Table showing currency rates for various currencies.

OTHER CURRENCIES

Table showing other currencies for various countries.

STERLING INDEX

Table showing the Sterling Index for various periods.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies.

LONDON MONEY RATES

Table showing London money rates for various currencies.

LONDON

Table showing London market rates for various currencies.

CHICAGO

Table showing Chicago market rates for various currencies.

CURRENCY FUTURES

Table showing currency futures for various currencies.

US TREASURY BONDS (CBT)

Table showing US Treasury Bonds (CBT) for various terms.

30-YEAR 12% NOTIONAL GILT

Table showing 30-year 12% notional gilt rates.

3-MONTH EURO-DOLLAR (18M)

Table showing 3-month Euro-dollar (18M) rates.

10% NOTIONAL SHORT GILT

Table showing 10% notional short gilt rates.

US TREASURY BONDS (CBT)

Table showing US Treasury Bonds (CBT) for various terms.

STERLING INDEX

Table showing the Sterling Index for various periods.

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Table showing EMS European Currency Unit rates for various countries.

FT LONDON INTERBANK FIXING

Table showing FT London interbank fixing rates for various currencies.

CURT. DEPOSIT (18M)

Table showing current deposit (18M) rates.

US TREASURY BILLS (18M)

Table showing US Treasury Bills (18M) rates.

CURRENCY FUTURES

Table showing currency futures for various currencies.

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Table showing US Treasury Bonds (CBT) for various terms.

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Holding Operation advertisement featuring promotional gifts like key rings, cuff links, and enamel badges.

Cambridge Futures Charts advertisement offering London Commodity Charts and Wolf Charts.

£ WORLD VALUE OF THE POUND advertisement with a large table of exchange rates for various countries.

BRITISH FUNDS

AMERICANS - Cont.

Table of British Funds with columns for Stock, Price, and Yield. Includes sub-sections for 'Shorts (Lives up to Five Years)', 'Five to Fifteen Years', and 'Over Fifteen Years'.

Table of American Stocks with columns for Stock, Price, and Yield. Includes sub-sections for 'CANADIANS', 'BANKS, HP & LEASING', 'CORPORATION LOANS', and 'COMMONWEALTH & AFRICAN LOANS'.

Table of Financial Instruments including 'INT. BANK AND OSEAS GOVT STEERING ISSUES', 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', and 'LOANS'.

Table of Financial Instruments including 'BEERS, WINES & SPIRITS', 'BUILDING, TIMBER, ROADS', 'DRAPERY & STORES', and 'ELECTRICALS'.

Table of Foreign Bonds & Rails with columns for Stock, Price, and Yield.

Table of American Stocks with columns for Stock, Price, and Yield.

LONDON SHARE SERVICE

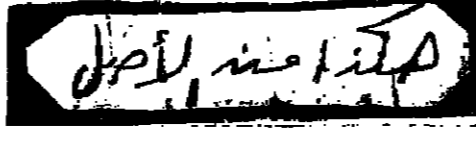
Main table for London Share Service listing various sectors: BUILDING, TIMBER, ROADS; DRAPERY & STORES; ELECTRICALS; CHEMICALS, PLASTICS; FOOD, GROCCERIES, ETC; HOTELS AND CATERERS; and INDUSTRIALS.

ENGINEERING

INDUSTRIALS - Continued

Table of Engineering and Industrial stocks with columns for Stock, Price, and Yield.

Handwritten signature or scribble at the bottom center of the page.



INDUSTRIALS - Continued

Table of industrial stocks including companies like British Petroleum, Shell, and various engineering firms. Columns include stock name, price, and other financial metrics.

LEISURE - Continued

Table of leisure and entertainment stocks such as British Telecommunications, British Airways, and various media companies.

PROPERTY - Continued

Table of real estate and property-related stocks, including various land and development companies.

INVESTMENT TRUSTS - Cont.

Table of investment trusts offering various asset classes and geographical exposures.

FINANCE, LAND - Cont.

Table of financial services and land-related stocks, including banks and insurance companies.

MINES - Continued

Table of mining stocks from various countries, including gold, copper, and uranium producers.

INSURANCES

Table of insurance companies and their stock prices.

PROPERTY

Table of property and real estate stocks.

TRUSTS, FINANCE, LAND

Table of trusts, financial services, and land-related stocks.

FINANCE, LAND, etc.

Table of finance, land, and other financial services stocks.

PLANTATIONS

Table of plantation and rubber stocks.

OVERSEAS TRADERS

Table of overseas trading companies.

Notes and general information regarding the stock listings, including exchange rates and company announcements.

Recent issues and rights information for various stocks, including details on new share issues and rights offerings.

Regional and Irish stocks section, providing a list of stocks from different geographical regions.

Disclaimer and publication information for the Financial Times, including contact details for the stock market section.

LONDON STOCK EXCHANGE

Equities regain composure after last week's interest rate scare but gilts remain nervous

Account Dealing Dates
Option
\*First Declared Last Account
Dealings Day Dealings Day

Hopes that the weekend EEC meetings would smooth the way for a US-German compromise over the vexed issue of currency trends and interest rates imparted stability to London financial markets yesterday. The dollar's performance in foreign markets was all-important and a strong initial surge against leading Continental currencies was enough to allay fears of another run on sterling. Thoughts of united European support pushed the US currency up sharply and the D-mark was the primary sufferer, even losing some of its recent buoyancy over sterling.

English Trust, which was supported up to 133p last month on talk of an overseas bid of 200p per share, revived with a speculative gain of 5 at 140p. Among Hire Purchases, dealings in Woodchester were resumed following the bid from British and Commonwealth as the shares touched 350p before closing at 335p compared with the suspension price of 255p. Spurred by the prospect of a successful TSB notation, investors returned for the major closure of 1st West's also continued to reflect its proposed New York Stock Exchange listing with a price rise of 7 at 542p. Leyds moved up the same amount to 425p, while Barclay added 5 at 400p. Midland also put on 5 at 572p. Bank of Scotland gained 5 to 422p ahead of tomorrow's interim results.

FINANCIAL TIMES STOCK INDICES
Table with columns for various indices (Government Securities, Financial Interest, Ordinary, Gold Mines, etc.) and their values for different dates (Sept 22, 19, 18, 17, 16, 15, 14, 13, 12, 11, 10, 9, 8, 7, 6, 5, 4, 3, 2, 1, 1986).

Leading high street retailers, depressed recently amid deeper credit worries, attracted occasional interest and finished with modest gains for choice. Marks and Spencer put on 4 to 204p, while Burton rose 3 to 300p. Combined English scheduled to reveal interim figures on Friday, while TEF highlighted 50p following the strong profits recovery. Freeman's which traded between extremes of 456p and 370p before closing at 466p. Sympathetic advance was recorded by Emars, 4 dearer at 188p, after 190p, and Gae A, a fraction harder at 107p. Lee Cooper, still excited by Friday's disclosure that Compagnie de Navigation Mixte has purchased a 5 per cent stake, improved 10 more to 235p. Dealers also reported interest in S & U, a couple of pence up at 45p, but Goldsmiths, which announced an agreed offer for Prince of Wales Hotels last week, reacted to scattered offerings and closed 12 cheaper at 200p.

Leading issues continued to make headway, although gains were usually fairly modest. Glaxo, helped recently by the aid in sterling, reacted 20 to 972p. Narrow mixed price movements were the order of the day in the Leisure sector. Senars, although closed 15 off at 110p; the Earl of Bradford holds a 5.66 per cent stake in the company. Motors highlighted Jaguar which advanced 18 to 636p reflecting currency influences and the impending UK launch of the long-awaited XJ saloon. Distributors were firmer for choice with Kwik-Fit, due to announce interim results next Monday, 6 up at 124p. Publishers made modest headway across the board helped by pleasing mid-term figures from Trinity International, finally 22 higher at 440p. United Newspapers, scheduled to reveal interim results on Thursday, hardened a few pence to 335p, while Associated Book Publishers, also expected to announce first-half figures shortly, put on a similar amount to 218p. Paper/Printings continued to advance, with the Olives Paper Mill rose a couple of pence to 61p on news that Melton Medes now controls just over 14 per cent of the equity. Advertising continued to advance, with the Rose Massall Pollit 10 to the good at 280p after Press comment, while confirmation that Mr Neil MacLure is to be appointed Executive director lifted F&B 13 to 240p.

Properties shrugged aside interest rate uncertainties and moved higher. Land Securities, which advanced 2 to 215p and improved 5 to 215p and REWEC put on 7 to 74p, after 73p, on the announcement that British and Commonwealth had bought a 27 per cent stake in the company to 27 per cent following its acquisition of 8.4m shares from Canada Life Assurance at 75p per share. Property Trust hardened a fraction to 6p, after 6p, following an investment recommendation and Bedgrave gained 5 to 138p ahead of Thursday's extraordinary general meeting at which Mr Peter Clowes of International Securities will seek a seat on the Board of Bedgrave. IS holds a near-50 per cent stake in Bedgrave. Connells Estate Agents gained 5 to 285p in anticipation of today's interim figures, while Merivale Moore rose the same amount to 225p in reply to the bumper profits.

United Trust and Credit were in the United Securities Market at 375p and rose to 385p on small demand before drifting back to finish at 370p. Interest in Breweries was mainly concentrated among Regionals. Belhaven, an extremely active market last week as sizeable share stakes changed hands and resulted in the appointment of Mr Raymond Miquel as chairman and chief executive, encountered profit-taking and slipped 6 to 21p. In contrast, brewers returned for Matthew Burns, finally 10 higher at 645p, after 550p, amid mounting speculation that Scottish and Newcastle will resume its bid for the company. Blue Circle jumped 13 to 571p, after 572p, in active trading on fairly persistent speculative buying fuelled by rumours of a possible bid from the National Coal Board, which was mentioned by both Robert Holmes à Court and Alan Bond being mentioned as interested parties. Elsewhere in Building, B&S firm 8 to 626p ahead of Thursday's interim figures, while Barrat Developments improved 4 at 150p in reply to comment ahead of tomorrow's results. B&S firm 8 to 626p ahead of Thursday's interim figures, while Barrat Developments improved 4 at 150p in reply to comment ahead of tomorrow's results.

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FT ACTUARIES INDICES

Table showing FT Actuaries Indices for various categories like Capital Goods, Contracting, Electronics, etc., with columns for Index, Day's Change, and Year Change.

LONDON TRADED OPTIONS

Table showing London Traded Options for various stocks like Allied Lyons, B.P., etc., with columns for Calls and Puts.

EUROPEAN OPTIONS EXCHANGE

Table showing European Options Exchange for various stocks like Gold C, IBM, etc., with columns for Calls and Puts.

BASE LENDING RATES

Table showing Base Lending Rates for various banks and currencies like AIB Bank, Allied Irish Bank, etc.

FIXED INTEREST

Table showing Fixed Interest rates for various terms like 1 year, 2 years, 3 years, etc.

AVERAGE GROSS REDEMPTION YIELDS

Table showing Average Gross Redemption Yields for various government securities.

BRITISH GOVERNMENT

Table showing British Government securities and their yields.

PRICE INDICES

Table showing Price Indices for various categories like British Government, 1-5 years, etc.

\*Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, plus 20p.

Financials were given a twin boost by firm metal prices and a strong rise in UK equities. Consolidated Gold Fields, given a "buy" recommendation by at least two leading UK broking houses since the preliminary results announced last week, touched a 1986 high of 580p before settling 10 up on balance at 577p. Rio Tinto-Zinc closed 15 higher at 637p, after 640p. Welsh gold exploration company Glengau added 2 1/2 to 23p.

Relatively subdued conditions among underlying securities resulted in considerably reduced turnover in Traded Options. Total contracts struck amounted to only 14,518—some up of 11,600 calls and 5,400 puts. Hanson Trust were lively, however, and attracted 1,521 calls, while a useful and evenly-balanced business developed in British Telecom with 747 calls and 760 puts transacted.

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WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, Germany, Norway, Australia, Japan, Canada, and others. Columns include stock names, prices, and changes.

Table of stock market data for Toronto and Montreal, listing various stocks and their closing prices for September 22.

Table of stock market indices for New York, London, and other major financial centers, showing index values and percentage changes.

OVER-THE-COUNTER

Table of over-the-counter stock market data, listing various stocks and their prices.

CANADA

Table of Canadian stock market data, listing various stocks and their prices.

NYSE COMPOSITE CLOSING PRICES

Table of NYSE composite closing prices for various stocks, including Abaco Invs, Bassett Foods, and others.

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Main table of stock closing prices with columns for stock name, price, change, and volume. Includes various sectors like technology, finance, and commodities.

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Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Sale, High, Low, Last, and Change. Includes sub-sections for 'Continued from Page 42' and 'Continued on Page 41'.

Table of AMEX Composite Closing Prices. Columns include Stock, Sale, High, Low, Last, and Change. Includes sub-sections for 'Continued from Page 42' and 'Continued on Page 41'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) Closing Prices. Columns include Stock, Sale, High, Low, Last, and Change. Includes sub-sections for 'Continued from Page 42' and 'Continued on Page 41'.

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